



European Union consults on sustainable corporate governance

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The European Commission invites input by 8 Feb 2021, on measures required to realign corporate governance with key aspects of a sustainable economy, such as social and human rights and environmental matters. The public consultation comprises 26 questions that include the alignment of directors' remuneration with sustainability metrics, directors' duties of care and supply chain due diligence measures. The commission is expected to publish legislative proposals in Q1 2021.

The consultation follows earlier commission initiatives to promote long-term sustainability in corporate governance, including measures included in the European Green Deal and the Communication on the COVID-19 recovery plan. Earlier in 2020, the commission published two studies on directors' duties and sustainable corporate governance, and a study on due diligence requirements in supply chains. Separately, the commission is reviewing implementation of the nonfinancial reporting directive.

Highlights

- **Remuneration of directors.** The commission invites input on different approaches to aligning directors' remuneration with a longer-term perspective, including integrating sustainability risks and opportunities in their business strategies, and the establishment of sustainability metrics.
- **Directors' duties of care.** The consultation seeks input about the need to more clearly define directors' duties of care. This includes considering and balancing the interests of a broader range of stakeholders with the short-term financial interests of shareholders. This could require companies to consider the environmental, human rights and social impacts of their stakeholders.
- **Sustainability expertise on boards.** The commission will consider what steps boards might take to deepen their expertise on sustainability issues.

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- **Supply chain due diligence.** The consultation invites input on issues that should be addressed in supply chain due diligence, including the introduction of adequate processes to prevent, mitigate and account for human rights and environmental impacts in companies' operations and supply chains. The consultation also asks for views on the need for enforcement measures of mandatory due diligence duty. The suggested topics include human rights (including labor rights, workplace safety and health, decent wages and working hours), climate change mitigation, natural capital, land degradation, pollution efficient use of resources and raw materials, and hazardous substances and waste.

Related resources

- [The European Green Deal](#) (European Commission)
- [Nonfinancial reporting](#) (European Union)
- [Sustainable corporate governance](#) (European Commission, 26 Oct 2020)
- [Study on directors' duties and sustainable corporate governance](#) (29 July 2020)
- [Recovery plan for Europe](#) (European Commission, 21 Jul 2020)
- [Study on due diligence requirements through the supply chain](#) (European Union, 20 Feb 2020)

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