

Press release – Sustainability: businesses interests must align with society’s interests



Parliament wants upcoming corporate governance proposals from the Commission to include a series of mandatory obligations for companies and incentives to act rather than rely on the voluntary disclosure of information. A clear set of rules strengthening the duties of company boards regarding sustainability is also needed. The report was adopted with 347 votes in favour, 307 against and 42 abstentions.

Disclosing non-financial information

MEPs welcome the Commission’s commitment to review the [Non-Financial Reporting Directive](#) (NFRD) next year but reiterate their call to widen its scope to cover all listed and non-listed large undertakings established in the EU, including non-EU companies operating in the Union. In particular, they suggest targeting investments and sectors often linked to illegal business activities, e.g. environmental crimes, illegal wildlife trade, corruption or financial crime.

Parliament asserts that existing non-binding guidelines are not enough and calls for a mandatory EU framework to cover a full array of sustainability issues related to non-financial reporting. It should ensure that disclosures are clear, balanced, comparable between companies, verifiable, objective, include time-bound sustainability targets and are publically available via an EU-wide digital platform.

Requirements for company directors

Executive directors play a key role in defining a company’s strategy. MEPs deem it their legal duty to integrate long-term interests and sustainability

risks. The Commission should therefore put forward a legislative proposal, which clearly defines their responsibilities when it comes to acting in the long-term interest of the company and society as a whole, as well as that of employees and stakeholders.

Sustainability strategies should include measurable, time-bound and science-based targets in line with the EU's commitments on the environment, climate change, biodiversity and deforestation. They should also incorporate policies on fair salary, gender equality, and better integration of employees' rights determined by the companies themselves.

Quote

Rapporteur [Pascal Durand \(Renew, FR\)](#) said: "Our report calls for the creation of clear European environmental, social and governance reporting standards for companies, subject to certified and independent audits. To achieve a more sustainable world, this obligation to report must go hand in hand with an obligation to act. We therefore believe that companies should define and implement their own internal sustainability strategies, in consultation with stakeholders."

Background

A recent study carried out for the Commission on [directors' duties and sustainable corporate governance](#) stressed the positive impact of clarifying directors' obligations on sustainability and long-term consequences of their actions. It also highlights the problems associated with short-termism and reiterates the need for companies to take into account their long-term impact in order to help the EU meet its own sustainability commitments. The study indicates the need for EU legislation in this regard.

In its [2018 resolution on sustainable finance](#), Parliament called for the scope of application of the [Non-Financial Reporting Directive \(NFRD\)](#) – which sets out the rules on the disclosure of non-financial information – to be widened. For instance, this relates to how companies manage social and environmental challenges, human rights, anti-corruption and bribery, and diversity on boards.