

Mr Thierry BRETON
Commissioner for Internal Market
European Commission
Rue de la Loi 200, Brussels

Mr Didier REYNDERS
Commissioner for Justice
European Commission
Rue de la Loi 200, Brussels

Brussels, 25 January 2022

Subject: **Part of the variable remuneration of executive directors must be linked with sustainability objectives**

Dear Commissioners,

We are reaching out to you ahead of the publication by the Commission of the Sustainable Corporate Governance package, expected in February. While we strongly support the Commission's work on that important proposal, we would like to draw your attention to a specific issue: the director's duties.

Today, nothing happens to a company director's remuneration when it does or does not meet the sustainability objectives that the company has set itself. Except of course, for a few pioneering companies that have introduced a simple yet effective rule: part of the variable remuneration of executive directors depends on the achievement of sustainability objectives.

This measure, if put in place, concerns large companies, allows us to respond in part to what is often called the "tragedy of horizons". Sustainability objectives reflect the long term while financial results are monitored quarterly and stock prices are monitored daily. To give more weight to the long term, it is necessary to integrate it into short-term governance tools. The variable part of the executive remuneration package, which represents a significant part of their total remuneration, is one of them.

The fact that some pioneering companies are doing this is good news. And the results are very positive. This makes it possible to get away from the sometimes contradictory injunctions between financial performance and environmental performance, since the structure of the "bonus" integrates both.

This practice must now be extended to all large European companies. This is in fact what the study carried out recently by the consulting firm EY for the European Commission highlights, noting that the remuneration package of executive directors should be reviewed to match both long-term and short-term imperatives, thus enabling the creation of sustainable value for the company. Now is the right time to implement such a policy, as part of the European Commission Sustainable Corporate Governance package.

Under your impetus, a measure linking environmental objectives to part of the variable remuneration is under discussion. But it could well disappear, even though it is an important part of translating the European Green Deal into the daily governance of large European companies. We, therefore, would like to express our strong support for such a measure and urge you not to miss this opportunity; as such an opportunity will not be repeated any time soon.

Finally, we would like to recall that while the World Economic Forum has again this year put climate, extreme weather events and the loss of Nature as the top 3 global risks they are facing, it would be incomprehensible if the future European reform that frames their responsibility does not integrate this new reality.

We are, of course, available for a follow-up discussion and further explanation of how this measure could benefit the implementation of the Green deal.

Sincerely yours,

Pascal Canfin, Member of the European Parliament, Chair of the ENVI Committee

Carlos Cordero Sanz, Partner Director, Sustentia

Pascal Demurger, CEO, MAIF

Philippe Donnet, CEO, Generali

Anita Dorett, Director, Investor Alliance for Human Rights

Nina Ekelund, Executive Director, Haga Initiative

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Antoine Frérot, Chairman and CEO, Veolia

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Christoph Klein, CEO, ESG Portfolio Management GmbH

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Guenther Thallinger, Member of the Board of Management of Allianz SE

Enrique Tombas, CEO, Suma Capital

Pierre Valentin, CEO, Ecofi

Frank van der Vloed, CEO, Signify Europe

Maarten van Dijk, CEO, SkyNRG

Victor van Hoorn, CEO, Eurosif

Eliot Whittington, Director, Corporate Leaders Group Europe (CLG Europe)

Philippe Zaouati, CEO, Mirova