

The European Corporate Governance Barometer: ESG emerges as remuneration criteria



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ESG issues are making inroads into European board committees, according to a new survey from ecoDa and Ethics & Boards, conducted on Stoxx Europe 600 covering 16 countries. Despite not being legally required, ESG committees have increased by 54 percent during the last three years.

"In countries where the topic of ESG is quite new, boards tend to start with a combined or, for large companies, dedicated committee. However, smaller boards do not allow for the creation of an extensive number of committees", highlighted Floriane de Saint Pierre, Founder and President, Ethics & Boards.

ESG has also emerged as an important remuneration criterion when designing CEO short term incentives. The trend already observed in 2020 is largely confirmed in 2021. Nearly 2/3 of companies studied are integrating at least one ESG criteria in their CEO's STI plan while it concerns 40% of companies for the LTI plan, an increase of 14% and 58% in only one year.

"Based on our contacts with directors and remuneration consultants we know that many companies are now working on adding ESG criteria to their remuneration schemes. We urge all boards to consider ESG criteria to executive remuneration if they have not already started this work" stated Leena Linnainmaa, ecoDa's chair.

The study conducted on Stoxx Europe 600 provides insight into corporate governance in Europe. ecoDa and Ethics & Boards intend to renew this European barometer annually.

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Notes to editors

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 20 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

About Ethics & Boards, the responsible corporate governance specialist

Ethics & Boards is the responsible corporate governance specialist. Its dedicated Governance DataBank combined with its visualization dashboards aim to help companies, investors and stakeholders assess and implement Responsible Governance beyond compliance, for a long term financial and extra-financial performance. Ethics & Boards is a partner of the ecoDa, namely for this now annual European Corporate Governance Barometer.
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