Inclusive and Sustainable Corporate Governance Policy

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green party
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Contents

1. Introduction

> The Terms of Reference[1] of the Company Law and Business Policy Group ask us *"to establish policy around the regulation and operations of corporations and enterprises operating in Ireland … to include examining a system change in the balance of rights and responsibilities between all stakeholders*".

In order to advance the Green Party's core objectives of environmental sustainability and social inclusion, we want to ensure that companies - one of the key agents in shaping Ireland's future - work not only in the short-term interests of shareholders, but for the common good. That is why we are proposing an ***Inclusive and Sustainable Companies Act***, covering the following areas of company activity:

1. Transparent Ownership
2. Audit
3. Social and Environmental Stewardship
4. Corporate Criminal Liability and Sanctions
5. Company Purpose
6. Obligations to Stakeholders
7. More Representative and Accountable Boards of Directors and Remuneration Committees
8. Company Ownership and Financial Markets

The first four of these topics have already been the subject of Green Party policy documents.[2] The present document covers the next three issues: company purpose; directors' obligations to stakeholders; and how to make boards of directors and remuneration committees more broadly accountable and more representative of stakeholders.

2. Background and Key Points

Irish people voted in February 2020 for a break with the past, for a new, more inclusive and more sustainable economy. On the climate, we know from the Intergovernmental Panel on Climate Change that the world has only a decade to achieve sweeping cuts in global emissions in order to avoid irreversible and catastrophic climate change. In Ireland, as elsewhere, we depend on companies as crucial agents of this change. But at present, both legal duties and financial market pressures push companies towards a primarily short-term focus on the bottom line. Reforms are needed to ensure that companies play their indispensable part in the rapid social and ecological transformation we need.

1.1 Why Companies are Key to our Future

Companies are the cornerstone of the Irish economy. The bulk of production, investment, innovation and job creation takes place within them. There are many good businesses in Ireland – we want them to flourish, and we want more of them. They are crucial not only to economic

[1] Terms Of Reference: "To establish policy around the regulation and operations of corporations and enterprises operating in Ireland, and to explore a related legislative framework in this area. The group may also consider, if it wishes, the same related to state-run enterprises. This will include examining a system change in the balance of rights and responsibilities between all stakeholders, including but not limited to shareholders, company directors, employees, customers and suppliers of goods and services. As part of this, the group will examine the insolvency process and if it needs reform."

[2] https://greenparty.sharepoint.com/sites/PolicyCouncil/Shared%20Documents/Policies/Policy%20Folders/Corporate%20Criminal%20Liability%20and%20Sanctions%20Policy/Green%20Party%20Corporate%20Criminal%20Liability%20and%20Sanctions%20Policy.pdf;

https://greenparty.sharepoint.com/sites/PolicyCouncil/Shared%20Documents/Policies/Policy%20Folders/Reporting%20of%20Social%20and%20Environmental%20Stewardship/Social%20and%20Environmental%20Reporting%20Policy%202021.pdf.

Add link to 'Audit' policy paper (adopted by Policy Council, October 2021) performance but also to the wellbeing and future evolution of our society. Production by companies accounts for a major share of global warming and pollution, so a new approach to environmental policy needs to include a reorientation of company behaviour in this area.

Companies also account for the vast bulk of employment and labour income, training and skills development. Concerns about increasing income inequality, the quality and quantity of jobs created, and the ability to combine family and work, all point to the need for a change in companies! employment policies. Ireland's ability to meet the huge challenges of the next decade - fighting climate change and inequality, restoring economic security, building a more inclusive society - will depend greatly on the decisions of companies. The Green Party is committed to developing a legal framework that supports and encourages our companies to act for the common good and in the long-term interests of people and planet[3].

Yet by law, reinforced by the pressure of financial markets, companies in our current system are run in the interests of shareholders. The legal obligations and financial pressures facing company directors incentivise them to put short-term profits ahead of longer-term social or environmental considerations.

The Green Party has among its founding principles that unrestricted economic growth must be replaced by an ecologically and socially regulated economy and that the poverty of two thirds of the world!s family demands a fair re-distribution of the world!s resources. As a contribution to those goals, this policy paper sets out proposals to build a new relationship between companies and society, in order to:

- promote good corporate citizenship, in respect of both environmental stewardship and social inclusivity;
- strike a better balance between the interests of all stakeholders, including shareholders, workers, customers, suppliers and the wider community;
- increase the accountability of the corporate governance system to stakeholders and wider society by improving transparency and reporting standards, so we can see more clearly the impact of company activities;
- shift the focus of companies from short-term financial returns and share price movements towards long term financial, social and environmental sustainability and the benefits of investment, innovation and skills;
- reverse the growing inequality associated with the concentration of company ownership and control and the excessive power of financial markets.

The proposals in this paper do not concern the vast majority of Irish companies. According to the CSO's 2020 Business Demography survey, enterprises with less than 250 employees account for 99.8% of all enterprises. Yet the 0.2% of companies above that threshold account for 87.8% of value added (CSO Census of Industrial Production Enterprises, 2020). It is the decisions of this small number of companies which will be decisive for the sustainability and inclusiveness of the Irish economy, and it is on them that this paper focuses.

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[3]Motion adopted by the Green Party Policy Council, December 2020: "In furtherance of the Green Party's core values of environmental sustainability and social inclusivity, we believe that a new legal and financial framework is needed for companies operating in Ireland. In order to support and encourage companies to act for the common good and in the long-term interests of people and planet, the Green Party supports the following actions:

1. encourage good corporate citizenship, environmental stewardship and social inclusivity;
2. strike a better balance between the interests of all stakeholders, including shareholders, workers, customers, suppliers and the wider community;
3. increase corporate accountability to stakeholders and society by reforming corporate governance and improving transparency and reporting standards
4. shift the focus of companies towards longer term sustainability, innovation and skills;

5. reverse the growing inequality associated with the concentration of company ownership and the excessive power of financial markets."

3. Launching a Wider Debate

We in the Green Party do not believe we have all the answers, nor a monopoly of wisdom and expertise. We intend this policy paper to be the starting point for a wider societal debate on how to create a legal framework that ensures Ireland's big companies play a full part in building a more inclusive, more sustainable and more equal future, in tune with the core values and philosophy of the Green Party, and with the new and immense environmental and social challenges of the 21st century. We want to get the input of employers, trade unions and civil society on the issues raised in this paper.

We look forward in particular to gathering the views of all relevant actors and analysts on issues raised by the application of the proposals in this paper to two one key group in particular: multinationals.

3.1 Special Considerations: Multinational Corporations

Given the key role of **large foreign-owned companies** in the Irish economy, proposals to reform corporate governance in Ireland need also to give careful consideration to how they might apply to such companies, and to any special sensitivities, such as the risk that a more demanding regulatory framework might discourage inward investment or indeed provoke disinvestment. It is clear that the legal regulatory framework for multinational companies is best established at EU level, in order to maximise its impact and prevent one EU member state being played off against another by footloose multinationals. The Green Party will therefore push for EU-wide reforms on the lines set out in this paper. But as part of that push, Ireland should be ready to take a lead at national level.

We believe that there are no technical obstacles to prevent the application of our proposals to foreign-owned multinationals. We also believe that nothing in our proposals would significantly change the highly attractive environment which Ireland offers to inward investors. It is clear that some of the proposals may be controversial. We would expect fierce lobbying from some companies on, for instance, proposals to better defend the interests of workers and other stakeholders and to require a more searching process of due diligence in respect of environmental and human rights impacts of company activities. But we believe that the urgency of the climate and biodiversity crises, and the growing imbalance between rich and poor, must be addressed by radical action. As Greens, we must have the courage of our convictions if we are to play our part in building a more inclusive and sustainable world.

4. Policy: An Overview

4.1 Towards a More Sustainable, More Inclusive Model

Since the global financial crash of 2008, businesses and economists have increasingly recognised the dangers and inadequacies of the long-dominant doctrine of "shareholder primacy" - the idea that companies should be run wholly or mainly in the interests of shareholders. In 2019, the US Business Roundtable[4] called for a new model for companies, which would take better account of the interests of all stakeholders - workers, customers, suppliers, communities and future generations - as well as shareholders.

Economists and business organisations in many countries have proposed changes to company law and governance to build this new, more inclusive and more sustainable capitalism - often called stakeholder capitalism. In July 2020, campaigning for the US Presidency, Joe Biden called

[4] https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

for "an end to the era of shareholder capitalism"[5] because companies have a broader responsibility to society. According to the Harvard Business Review[6] "A consensus is emerging that society and diversified investors are best served by companies that focus on sustainable value creation and respect the legitimate interests of all stakeholders, not just stockholders"[7].

Also in July 2020, the European Commission published a wide-ranging study on "Directors! Duties and Sustainable Corporate Governance[8], which found that the focus of corporate decision-makers on short-term shareholder value maximisation rather than on the long-term interests of the company reduces the long-term economic, environmental and social sustainability of European businesses and is endangering the achievement of the EU's New Green Deal. The study identified seven related issues in the operation of companies in EU member states:

> *"1. Directors' duties and company's interest are interpreted narrowly and tend to favour the short- term maximisation of shareholder value;*
> *2. Growing pressures from investors increase the boards' focus on short-term financial returns to shareholders at the expense of long-term value creation;*
> *3. Companies lack a strategic perspective on sustainability and fail to effectively identify and manage relevant sustainability risks and impacts;*
> *4. Board remuneration structures incentivise the focus on short-term shareholder value rather than long-term value creation for the company;*
> *5. The current board composition does not fully support a shift towards sustainability;*
> *6. Current corporate governance frameworks and practices do not give sufficient voice to long-term interests of stakeholders;*
> *7. Enforcement of the directors' duty to act in the long-term interest of the company is limited." (*op. cit.)

We support the general thrust of the proposals from the EU and the Business Roundtable, which could valuably be applied in this jurisdiction. In Ireland, as elsewhere, these issues are pressing. That is why the Green Party is proposing a Programme for Inclusive and Sustainable Companies, to create a new bargain between companies and society and to face up together to there challenges of the climate emergency and our divided society.

4.2 A New Bargain Between Companies and Society

Company law grants shareholders in limited companies the extra-ordinary privilege of limited liability. The limited liability company is one of the great inventions of economic history. Without it, who would take the risk of setting up a business? Limited liability limits shareholders' exposure to risk, by limiting their liability for any harm done by the company's activities - whether to the health and safety of its workers; to customers, suppliers or the local community; or to the environment. The shares can lose their value, but beyond that the owners of the company have no liability. But this legal privilege - the limited liability company - cannot and does not in any way reduce the risks of business activity. It simply transfers them to the rest of society.

Sparing owners from the harms their companies cause amounts to a hefty legal subsidy - and this is a grand bargain that has proved its worth over the history of industrialised societies. In return for transferring some of the risks of business activity from the business owners to the rest of society, and to the planet, we have benefited from greater investment, production and growth. But

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5 https://www.cnbc.com/2020/07/09/biden-says-investors-dont-need-me-calls-for-end-of-era-of-shareholder-capitalism.html

6 https://hbr.org/2020/05/3-ways-to-put-your-corporate-purpose-into-action

7 Note on terminology: throughout this policy paper, in recognition of the different degrees to which different groups can be affected by companies' decisions and actions, we distinguish between **internal stakeholders** - that is, workers, shareholders and owners; and **external stakeholders**, who may vary according to the context, but typically could include suppliers, workers in the supply chain,

creditors, customers, the local community, the taxpayer and the environment. This distinction will be crucial in our proposals on some aspects of corporate governance.

[8]https://op.europa.eu/en/publication-detail/-/publication/e47928a2-d20b-11ea-adf7-01aa75ed71a1/language-en

in return for this substantial transfer of risk from companies to society, we are entitled, from time to time, to review whether society is entitled to ask for a little more. Company law leaves shareholders, and the directors they choose, in complete control. It imposes on directors the duty to run the company in the interests of shareholders. And while society takes on a potentially huge share of the risks of the company's activities when things go badly, shareholders get all the profits when things go well.

Our Inclusive and Sustainable Companies Programme will establish a new bargain between big companies and society, through a legal framework that sets out clearly what society expects from companies in exchange for the privileges they are granted.

The new bargain is founded on the recognition that a company is created and sustained by many groups: employees provide their skills and knowledge; suppliers provide material inputs and machinery; investors provide financial capital; the community provides essential infrastructure - a legal system, education, social services and much else. All of these stakeholders contribute to the success of the company, and share the risks of failure. In the sustainable companies we want to create, the interests of all will be fully represented in the way companies are run.

5. POLICY DETAILS

5.1 Purposeful Companies

A growing chorus of leading business organisations, academics and professional bodies[9] has called in recent years for company law to reinstate the requirement for every company to have in its constitution a clear statement of its purpose.

Companies were originally established for clear public purposes - only in the last half-century has corporate purpose been equated solely with profit. There is a growing demand for businesses to take a wider view of their purposes - taking greater account, for instance, of environmental, social and human rights impacts of company activities. By law, at present, directors are required to run their companies solely in the interests of shareholders. To change this, we need to define the company's purpose in its constitution. Advancing that purpose would become the primary duty of the board of directors.

A new Inclusive and Sustainable Companies Act could ensure that, when companies are set up, they would be required to declare their business purpose, in a manner similar to that of Designated Activity Companies, as set out in the Companies Act 2014.

5.1.1. What sort of purpose?

Companies would have wide discretion to define their corporate purpose, but:

5.1.1.1 *it must be lawful, ethical and sustainable*

5.1.1.2 *it should not be defined exclusively in the interests of shareholders.*

The purpose would have to give equal weight to the interests of shareholders and workers ("internal stakeholders"), and give due consideration to the interests of all other ("external") stakeholders.

9. See for instance:

- https://www.thebritishacademy.ac.uk/publications/reforming-business-21st-century-framework-future-corporation/

- https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/
- https://opportunity.businessroundtable.org/ourcommitment/
- https://www.blackrock.com/hk/en/terms-and-conditions?targetUrl=%2Fhk%2Fen%2Flarry-fink-ceo-letter
- https://www.ft.com/content/46bb05a9-23b2-4958-888a-c3e614d75199?shareType=nongift
- http://www.biginnovationcentre-purposeful-company.com/wp-content/uploads/2017/11/feb-24_tpc_policy-report_final_printed.pdf
- https://static1.squarespace.com/static/5dc83c44e8c8347aab55a36a/t/5f0f9ae29809d92284150529/1594858223526/regenerate-the-case-for-purpose-driven-business.pdf

The Act would also create the option - which already exists in the USA and France - to adopt a new corporate form, the *Benefit Corporation:* that is, a company for which having a positive social or environmental effect is a core element of its purpose. Tax and public procurement policy could be used to incentivise benefit corporations.

5.2 Directors' Obligations to Stakeholders

> *"The root source of all corporate authority lies with the shareholders"*
> A&L Goodbody Law Review, March 2020[10]

Ireland's current system of corporate governance – the rules by which a company is run – gives overwhelming primacy to the rights and interests of a company!s shareholders. Only shareholders have voting rights to appoint the board of directors and to make other strategic decisions, and the legal duties of directors are explicitly focused on shareholder interests. So far as the duties of the board of directors are concerned, the interests of the company are in most circumstances equated to the interests of the shareholders.

The law does allow company directors to give weight to the interests of workers or the environment, but only so long as they can do so and satisfy a stock market hungry for immediate returns. Company law gives power to stockholders, and none to other stakeholders. This legal primacy of the shareholder, together with the pressure of financial markets, incentivises companies to seek stock-market pleasing profits even at the cost of unethical or risky behaviour, potentially resulting in consumer, community and environmental harm.

In other European countries, less influenced by the British model, the fiduciary responsibility of directors extends beyond the interests of the shareholders. In France, directors' duties are based on the general corporate interest of the company, which can differ from that of the shareholders. And while Irish law requires directors to prioritise shareholders interests, in Germany it is forbidden to rank the interests of different stakeholders: directors must balance a plurality of interests in making decisions.

5.2.1 Shareholders don't own the company and they don't bear the most risk

There is no reason of principle for putting shareholders first. Although they are often thought of as the companies' owners, that is legally not the case[11]. The English Court of Appeal declared in 1948 that "shareholders are not, in the eyes of the law, part owners of the company" and in 2003 the House of Lords reaffirmed that ruling in unequivocal terms. In this respect, Irish law is no different. What shareholders own is not the company, but simply a part of the company's capital. Equally, the rise of highly dispersed, rapidly traded shares means that shareholders are often in a very poor position to judge the long-term interests of a company, or to oversee its management. The same pattern means that most shareholders, with their highly tradable, and typically highly dispersed, shareholdings, are exposed to much <u>less</u> risk if a firm does badly than are its workers, or even its suppliers, customers or local community.

Modern companies are communities of interests, with a common purpose and mutual obligations. We as Greens believe that should be reflected in how they are governed and in whose interests they operate. That is why an Inclusive and Sustainable Companies Act would make clear that the primary duty of directors is to the long-term sustainable success of the company, as judged by the company purpose set out in its constitution. In pursuing the company purpose, directors would be obliged, as in many European countries, to balance the interests of all stakeholders, having particular regard to the extent to which different stakeholders may be vulnerable to social or environmental harm as a result of their decisions.

[10] https://www.algoodbody.com/insights-publications/initial-public-offerings-ipo-law-review-2020-ireland

[11] See, for example https://www.johnkay.com/2015/11/11/is-it-meaningful-to-talk-about-the-ownership-of-companies/

> "If I own an object I can use it, or not use it, sell it, rent it, give it to others, throw it away and appeal to the police if a thief misappropriates it. And I must accept responsibility for its misuse and admit the right of my creditors to take a lien on it.
>
> But shares give their holders no right of possession and no right of use. If shareholders go to the company premises, they will more likely than not be turned away. They have no more right than other customers to the services of the business they "own". The company's actions are not their responsibility, and corporate assets cannot be used to satisfy their debts.
>
> Shareholders do not have the right to manage the company in which they hold an interest, and even their right to appoint the people who do is largely theoretical. They are entitled only to such part of the income as the directors declare as dividends, and have no right to the proceeds of the sale of corporate assets — except in the event of the liquidation of the entire company, in which case they will get what is left; not much, as a rule.
>
> Of 11 [classic legal tests] of ownership, the relationship between a company and its shareholders satisfies only two; three are satisfied in part; six are not met at all."
> Professor John Kay, Financial Times, October 11 2015

5.2.2 Ensuring the Interests of Stakeholders are Heard

As we have seen, both benefits and harms from company activity can be felt - to varying degrees - by many groups, including workers, customers, suppliers, communities and even future generations, notably through a company's impact on the environment, investment, R&D and natural resources. Together, these groups are known as **stakeholders.** In a sustainable company, the Board of Directors will have the responsibility for ensuring that decision-making has regard to:

- likely long-term consequences of decisions
- interests of employees
- the need to foster relationships with suppliers, customers and others
- impact on the community and the environment
- impact on social and human rights issues
- the desirability of a reputation for high business standards.

Legislation would require the establishment of mechanisms to ensure that stakeholder interests are taken into account. There would be a requirement to inform and consult, in good time and so far as possible, any stakeholder at risk of substantial negative impact from any decision or activity under consideration by the board.

The position of employees demands particular attention. As we saw above, a company is a joint enterprise between the shareholders who supply the financial capital and the employees at all levels who supply the talent, skills and effort by which the company delivers goods and services. A comprehensive discussion of workplace relations is beyond the scope of this policy paper, but we as Greens believe that in the modern economy, the skills, talent and engagement of employees are often the vital ingredient in company success. This needs to be reflected in participative and representative structures at all levels of the firm, including the option of trade union membership and a pathway to collective bargaining rights, which should include the right to be informed and to negotiate on sustainability issues. The composition of company boards needs also to become more inclusive of stakeholder interests: this issue is tackled in section 5.3.1 of this policy paper.

5.2.3 Taking Company Purpose Seriously: due diligence

Under an Inclusive and Sustainable Companies Act, directors would have a duty, in consultation with internal stakeholders, to establish the company's strategy for achieving the purpose set out in its constitution and for ensuring that the resources necessary for its effective pursuit are in place. As set out in Green Party policy on social and environmental reporting[12], large companies would be expected to publish standardised measures of the company's social and environmental impacts, which have been audited, and the actions taken to reduce harms and enhance benefits.

The European Commission announced in April 2020[13] that it will introduce legislation to create a statutory duty of due diligence for companies, defined as a duty to identify, prevent, mitigate and account for adverse corporate impacts on human rights and the environment. Germany is already preparing national legislation on similar lines[14]. As Irish Greens we welcome and support these initiatives. In line with the UN Guiding Principles on Business and Human Rights[15] and the OECD Guidelines for Multinational Enterprises[16], large companies should assess, identify and prevent risks at all levels of their operations. We support a requirement that they develop due diligence plans and monitor their implementation throughout their supply and subcontracting chains, ceasing activities that are found to violate human rights, threaten the welfare of workers or harm the environment.

Employees and their trade unions have an important role to play in ensuring the effectiveness of due diligence strategies. Employee representatives should take part in drawing up companies' due diligence plans, identifying risks and monitoring implementation.

5.3 Boards and Remuneration Committees: more inclusive, more diverse, more transparent

5.3.1 More Inclusive Boards of Directors

We want to modernise how companies are run. Corporate governance rules, as they are called, lay down how decision-making power and influence are distributed in companies. If companies are to be run in the interests of a wider range of stakeholders, then representation and accountability at board level need to reflect that. The aim of making companies more responsive to stakeholders is just talk, unless stakeholders have power.

The nature of modern business reinforces the case for more inclusive decision-making. The sources of long-term value are increasingly intangible and are built on key stakeholder relationships. Empowering these stakeholders is a critical step to making good long-term decisions in boardrooms. The role of employees is especially crucial: a more knowledge-based economy has placed a higher premium on human capital and skill, so employee engagement in decision-making, as part of a stronger relationship between management, workers and shareholders, is a key contributor to productivity and innovation. Giving workers a voice in their workplace, both individually and collectively, should also be seen as a vital part of a modern democracy.

Since companies are institutions through which capital and labour come together to produce goods and services, it is an anomaly that in most cases only shareholders are represented on a company's key decision-making structure - its board of directors. In keeping with Green Party

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12 Policy document on Social and Environmental Reporting, https://greenparty.sharepoint.com/sites/PolicyCouncil/Shared%20Documents/Policies/Policy%20Folders/Reporting%20of%20Social%20and%20Environmental%20Stewardship/Social%20and%20Environmental%20Reporting%20Policy%202021.pdf

13 https://www.euractiv.com/section/global-europe/news/new-human-rights-laws-in-2021-promises-eu-justice-chief/

14 https://www.lexology.com/library/detail.aspx?g=f1bde270-239d-40cd-85ad-d805adba5790

15 https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

16 https://www.oecd.org/corporate/mne/

policy on promotion of social dialogue and empowerment of workers[17], we want every company with more than 250 employees to have at least two worker-directors, elected by the workforce, on the board. And to improve the diversity of company boards, we would require companies with more than 250 employees to adopt an action plan setting out a pathway to gender parity and ethnic diversity[18].

Stakeholder Advisory Panels

To provide a voice for external stakeholders, such as suppliers, customers and the community, large companies should be required to set up a stakeholder advisory panel, with a mandate to provide the board with stakeholders' views on long-term success, and challenge the board on its obligations to stakeholders. The panel would have no formal powers in the company's governance, but should become a valuable source of information, especially to non-executive directors, on key relationships. It would make a regular statement in the company's annual report and could also have the right to make public statements, if the aim of empowering other stakeholders can be balanced with the need to avoid disgruntled stakeholders damaging the company.

5.3.3 Remuneration Committees

Widening directors' fiduciary responsibilities inevitably widens also their scope for discretion. This makes effective accountability mechanisms crucial - especially given that courts are already loth to second-guess directors' exercise of discretion. Our proposals on company boards and on reporting and audit address this need.

Equally crucial, however, is to ensure so far as possible that directors' incentives are aligned with the long-term company objectives. The Kay Committee on the UK's equity markets and long-term decision-making[19] recommended that directors' incentives should be realigned by better relating their remuneration to long-term sustainable business performance. This recommendation is no less relevant to large Irish companies.

To enhance the board's ability to focus on creating long-term value, an Inclusive and Sustainable Companies Act would broaden the remit of the remuneration committee to include the pay, incentives and conditions of all staff, and the company!s wider strategy around talent, culture, diversity and succession, on which an effective and credible remuneration policy needs to be based. This would move remuneration committees away from focusing on the technicalities of executive pay, towards whether the totality of pay and people practices support a company!s purpose, values and strategy. Forty percent of the remuneration committee's membership would be employee representatives.

[17] See, for example, the following motion, adopted by the August 2020 Policy Council:

"Recognising that a just transition for all towards an environmentally sustainable economy needs to contribute to the goals of decent work for all, social inclusion and the eradication of poverty, and recognising also that the realisation of workers' rights and social dialogue is central to realising a just transition and acknowledging that, in order for meaningful social dialogue to take place, the following must exist:

Strong, independent workers' and employers' organisations with the technical capacity and the access to relevant information to participate in social dialogue; political will and commitment to engage in social dialogue on the part of all the parties; respect for the fundamental rights of freedom of association and collective bargaining; and appropriate institutional support.

The Green Party seeks a Trade Union Rights Act that would include: a right to collectively represent workers; a right of access to workplaces; a right to organise; and calls for Ireland to ratify the International Labour Organisation Convention 154 on Collective Bargaining."

[18] Green Party policy, adopted by the 2017 Party convention, already calls for gender quotas on the boards of large companies: "The Green Party calls for the introduction of a mandatory quota of no more than 60% of any one gender on the executive boards of all large companies registered in Ireland."

[19] https://publications.parliament.uk/pa/cm201314/cmselect/cmbis/603/60310.htm

5.4 Making Change Stick: Regulation, Education and Ethics

The legislative proposals in this policy paper will create a legal framework which encourages, incentivises and in some areas requires companies to become more sustainable, more inclusive and more far-sighted. Legislation alone, however, does not guarantee change. The changes in company behaviour that are needed will depend also on a change in the ethical climate; on the standards and content of management training; and on an effective regulatory environment.

It will be important to ensure that companies fully adapt in practice to the new legal environment. A number of existing Green Party policies provide important mechanisms to ensure compliance. Green Party policy calls, for instance, for the creation of a Corporate Crime Agency to investigate corporate offences.[20] The Agency would be empowered to impose stronger financial sanctions for corporate wrong-doing and to hold decision-makers personally responsible when companies break the law. In addition, Green Party policy on Social and Environmental Reporting[21] provides for mandatory reporting to the appropriate regulators of data on company performance on key environmental and social indicators. This reporting regime will enable regulators to ensure compliance with the relevant legislation. Ideally, we envisage overall supervision and regulation of companies being brought together in a Companies Commission. We hope to bring forward separately detailed proposals for the remit, powers, composition and accountability of the proposed Companies Commission.

We recognise that the needed changes in company behaviour depend also on the development of a supportive climate of business ethics. Great harm has been done in recent years by the dominance of the cult of "shareholder value" and an intellectual and moral climate which has lionised the ruthless pursuit of the financial bottom line, and has inculcated the idea that senior managers who take a broader view are failing in their fiduciary responsibilities. Thankfully, the intellectual climate has begun to change, as recognition has spread of companies wider responsibilities and of the urgency of climate action. A reformed legal framework of company rights and responsibilities will further support this change. The Green Party also wants to see a significant improvement in management education, to ensure that members of the Board of Directors and senior managers have both the levels of competence needed, and the necessary vision of the role that companies should play in in building a more inclusive and sustainable future.

[20] https://greenparty.sharepoint.com/sites/PolicyCouncil/Shared%20Documents/Policies/Policy%20Folders/Corporate%20Criminal%20Liability%20and%20Sanctions%20Policy/Green%20Party%20Corporate%20Criminal%20Liability%20and%20Sanctions%20Policy.pdf;

[21] https://greenparty.sharepoint.com/sites/PolicyCouncil/Shared%20Documents/Forms/AllItems.aspx?id=%2Fsites%2FPolicyCouncil%2FShared%20Documents%2FPolicies%2FPolicy%20Folders%2FReporting%20of%20Social%20and%20Environmental%20Stewardship%2FSocial%20and%20Environmental%20Reporting%20Policy%202021%2Epdf&parent=%2Fsites%2FPolicyCouncil%2FShared%20Documents%2FPolicies%2FPolicy%20Folders%2FReporting%20of%20Social%20and%20Environmental%20Stewardship

5.5 Summary of Proposals

This policy paper has made seven key proposals for the governance of companies employing 250 or more people, which can be summarised as follows:

Summary of Proposals

1. *Require company purpose to be set out in the company constitution, with a published strategy for advancing it.*
2. *Widen the fiduciary responsibilities of company directors, to take greater account of other stakeholders' interests, and the environment.*
3. *A statutory right for workers to be represented by a trade union for collective bargaining; promotion of participative and representative structures.*
4. *In line with EU proposals, create a statutory duty of due diligence to identify, prevent, mitigate and account for adverse corporate impacts on human rights and the environment throughout the supply chain.*
5. *Legislate for worker directors in larger companies.*
6. *Legislate for stakeholder advisory panels.*
7. *Widen the remit and membership of remuneration committees.*