



RELATED PRACTICE AREAS

Environmental
Environmental, Social and Governance

RELATED TOPICS

Environmental Social and Governance (ESG)
Sustainability
Environmental Social and Governance (ESG)
Environmental Justice

What Can The U.S. Learn From The EU About ESG?

January 3, 2023 | [Environmental](#)



Bruce White
Partner

Environmental, social, and governance (ESG) refers to three central factors in measuring the sustainability and societal impact of a company or business. ESG criteria often guide investors in making informed decisions about whether to invest in a company based on its environmental impact, social responsibility, and corporate governance practices.

The European Union (EU) has been at the forefront of implementing and promoting ESG standards and practices. One key lesson the United States could learn from the EU is the importance of taking a comprehensive approach to addressing ESG issues. The EU has recognized these issues are interconnected and cannot be effectively addressed in isolation. This has led to the development of a range of policies and initiatives that address ESG issues in a holistic and integrated way with a long-term perspective, such as the EU's Sustainable Development Goals (SDGs) and the EU's Action Plan on financing sustainable growth.

Most recently, the EU approved the [Corporate Sustainability Reporting Directive](#) (CSRD) that expands the scope of the Non-Financial Reporting Directive (NFRD) by imposing requirements on a much larger pool of EU companies to report on environmental, human rights, and social impacts. The CSRD also requires non-EU companies with “significant activity” in the EU to report as well, resulting in more in depth ESG reporting by more companies than any prior EU directive.

From a more granular perspective, here are a few things that the U.S. could

learn from the EU:

Stronger regulations and policies: The EU has implemented a number of regulations and policies that encourage companies to adopt ESG practices, like the NFRD. This has helped to create a level playing field for companies and encourages them to adopt more sustainable practices.

Encouraging corporate social responsibility: The EU has encouraged companies to adopt corporate social responsibility practices that go beyond legal requirements and address the social and environmental impacts of their operations.

Investment and ESG: The EU has also promoted the integration of ESG considerations into investment decision-making, including through the EU Sustainable Finance Disclosure Regulation, which requires financial market participants to disclose the sustainability risks and effects of their products and services. As a result, there is growing demand for ESG investments in the EU, with many investors looking for companies that have a strong focus on sustainability; this has led to an increase in the number of ESG-focused investment options available in the EU.

More comprehensive reporting: The EU requires companies to report on a wider range of ESG indicators than the U.S. This includes not only environmental indicators like greenhouse gas emissions and water usage, but also indicators related to social and governance issues like employee diversity and board diversity.

The value of corporate transparency: The EU has also implemented measures to increase corporate transparency, such as the CSRD, and the EU Taxonomy, which provides a common language for classifying sustainable economic activities. This helps investors and other stakeholders make informed decisions about the companies they invest in or do business with.

Greater focus on sustainability: The EU has a strong focus on sustainability and has implemented a number of initiatives to promote sustainable development and businesses. For example, the EU has set ambitious targets for reducing greenhouse gas emissions and increasing the use of renewable energy. The EU has also invested heavily in sustainable infrastructure that involve renewable energy and green transportation. In addition, the EU has implemented policies and initiatives to support businesses that are committed to sustainability, such as the European Green Deal, which aims to make the EU carbon neutral by 2050.

Encouraging innovation: The EU has also supported the development of innovative technologies and practices to promote sustainable development and ESG practices. This can involve investing in research and development, supporting the commercialization of new technologies, and providing incentives for innovation.

Benefits of public-private collaboration: The EU has encouraged collaboration between the public and private sectors to promote sustainable development and ESG practices. This can involve the development of joint initiatives, the sharing of resources and expertise, and the alignment of policies and regulations. This can help to leverage the strengths of both sectors, leading to more efficient and effective outcomes. It can also lead to new ideas and approaches that may not have been considered otherwise,

resulting in more innovative and creative solutions. Such collaboration can also increase transparency and accountability in decision-making, helping to build trust and credibility with the public.

Benefits of stakeholder engagement and collaboration: The EU has also emphasized the importance of engaging and collaborating with a wide range of stakeholders, including employees, customers, suppliers, and local communities, to promote sustainable development and ESG practices. This helps to ensure that companies consider the impact of their decisions on a range of groups and can help to build trust and confidence in the company.

The EU's actions have provided opportunities for countries to learn from one another and share best practices, and has shown that such pooling of resources and expertise to tackle global challenges can lead to a greater impact on sustainability than going it alone.

Overall, the U.S. could learn from the EU's experience in order to improve its own ESG practices. By adopting similar comprehensive and collaborative approaches, and addressing environmental, social, and governance challenges and opportunities in an integrated way, the U.S. would be positioned to promote sustainable development more efficiently and effectively.