

Textiles Compensation: The Sustainability-Pay Disconnect

Questions for investors and lenders to ask management of companies concerning their executive compensation targets

Recommended Questions		Report's Key Takeaways
Q.1	What sustainability targets has your company set? Background: Most of the top 30 apparel retailers we analysed identified sustainability linked issues as a key risk for their business or stakeholders. We should therefore expect businesses to be addressing these issues.	<ul style="list-style-type: none">• Sustainability is generally seen as a key risk by leading fashion retailers.• C-suite performance pay typically lacks a direct link to performance on sustainability.• Too often sustainability is subordinate to profits and/or immaterial in overall compensation.• Linking compensation to quantitative, independently verified sustainability targets makes compelling sense. <p>Click to view the report online</p>  <p>Disclaimer: Click here</p>
Q.2	How are your actions on sustainability assessed? Background: Independently verified targets on sustainability provide a defence against greenwashing and can allow comparison between companies. A good example is the 'Science Based Targets' initiative. Unfortunately, our analysis found that often sustainability targets are broad and how they are assessed is opaque.	
Q.3	How are management incentivised to act on sustainability? Background: With sustainability seen as a key risk, management should be incentivised to address it. Compensation schemes should feature clear, quantitative targets on sustainability, with a material amount at risk and separate to performance on other metrics such as profits.	