

The Sustainability Pay Gap

An analysis of executive compensation in the chemicals, consumer goods and transport sectors

Recommended Questions		Report's Key Takeaways
Q.1	<p>“Does the executive team have quantifiable targets for sustainability targets?”</p> <p>Background: Financial performance is typically linked to clearly defined quantitative targets, for instance profit margin, earnings growth, free cash flow generation, return on capital etc. Sustainability targets should align with this quantitative approach.</p> <p>Target: Ensure the implementation of quantifiable targets.</p>	<ul style="list-style-type: none"> • In their corporate reporting, companies across sectors typically list sustainability related challenges (for instance climate change, environmental breakdown) as potentially significant risks to their business. • Incentivising management teams to take action to address corporate sustainability issues, or indeed penalising executives financially for not tackling these challenges adequately, seems logical. • This report examines executive compensation schemes in the Chemicals, Consumer Goods and Transport sectors and concludes that these sectors still have a long way to go on linking sustainability performance to pay. • Consumer Goods was the worst sector, with 36% (4 out of 11) of the analysed companies displaying no link between pay and sustainability performance at all. <p>Disclaimer: Click here</p> <div>  <p>Click to view report</p> </div>
Q.2	<p>“Do financial compensation metrics override sustainability ones, making the latter redundant?”</p> <p>Background: Financial targets can often trump sustainability ones making them potentially obsolete, for instance, when a profitability target must be achieved before any sustainability-linked targets are considered.</p> <p>Target: Delivery on sustainability targets warrants an independent reward.</p>	
Q.3	<p>“What does the Board of Directors (Remuneration Committee) believe is an adequate weighting for sustainability targets as a percentage of total pay?”</p> <p>Background: Planet Tracker set an initial hurdle of only 10% of pay being linked to sustainability factors in order to make the top grade.</p> <p>Target: Set a minimum 10% weighting of executive compensation linked to clear sustainability deliverables.</p>	