

ESG metrics in executive pay: widespread adoption, limited effectiveness

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Integrating ESG metrics into executive pay is common. In 2024 81% of companies globally had adopted them. However, challenges persist: poorly designed incentives, lack of transparency, and greenwashing—where superficial ESG targets create an illusion of sustainability—can misalign management focus. Materiality is key: ESG metrics should be genuinely linked to long-term company performance, ideally using SASB guidelines. Yet, disclosure is lacking; in 2024 67% of U.S. firms with ESG-linked pay didn't reveal specific goals. While integrating ESG metrics into executive pay is a positive trend, it must be done thoughtfully to ensure alignment with long-term corporate goals and avoid superficial commitments. Investors and companies alike must focus on materiality and transparency to drive genuine sustainable performance.

The anatomy of ESG pay — what the headline figure hides

Sources: WTW (2024), Efing et al. / HEC Paris / CESifo (2024), Conference-Board / ESGAUUGE (2024), Meridian Compensation Partners (2024)

GLOBAL ESG PAY ADOPTION

81% of large companies include at least one ESG metric in executive incentive plans

WTW · 1,070 companies · 2024

OF 100 EXECUTIVES WITH ESG PAY — HOW MANY HAVE BINDING TARGETS?



Efing et al. · HEC Paris / Univ. Tübingen · 674 executives, 73 European firms · 2024



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