

Global Compensation & Benefits Watch

Linking ESG Metrics to Executive Compensation: Virtue Signaling or Paying for Impact?

September 21, 2021



ESG CENTER



Corporate
Governance



Sustainability



Corporate Citizenship
& Philanthropy

Some of the critical questions on **linking ESG metrics to executive pay** that we will be addressing today

- Who is driving this trend?
- What are the pros and cons for boards to consider in deciding whether to link executive compensation to ESG?
- How should boards and management approach the many issues relating to how you can effectively link ESG to pay?
- What's happening outside the US in this area?
- What should companies do now to plan for the near- and longer-term future?



Hosted in Collaboration with Semler Brossy Consulting Group



Today's Speakers



Donna Anderson
Vice President and Head of
Corporate Governance
T. Rowe Price Group



Kristen Roby Dimlow
Corporate VP, Microsoft
Total Rewards and HR
Business Insights
Microsoft



Blair Jones
Managing Director
Semler Brossy
Consulting Group



Paul Washington
Executive Director,
ESG Center
The Conference Board

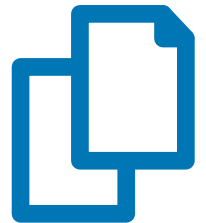
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CPE (NASBA), HRCI, and SHRM

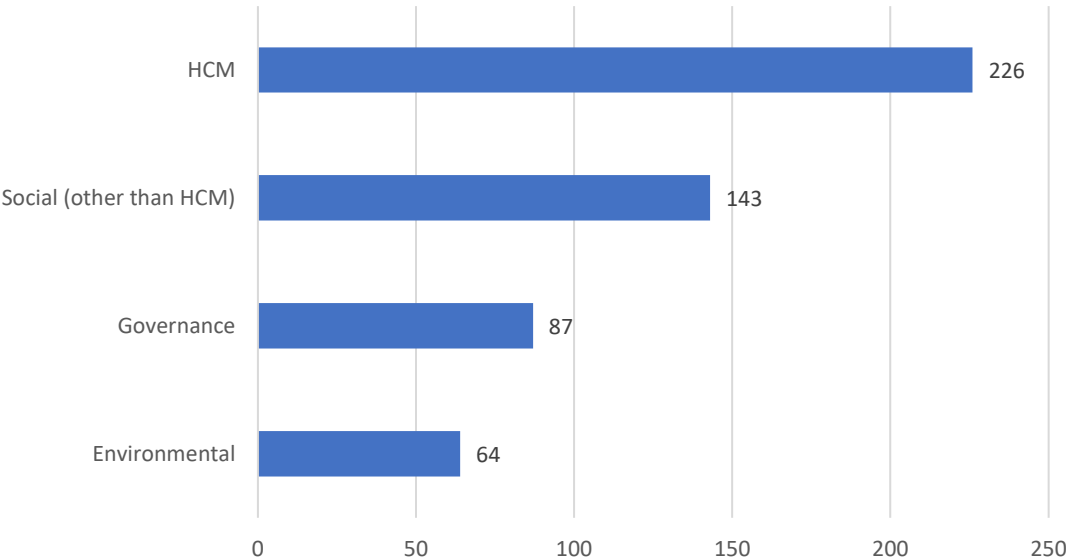
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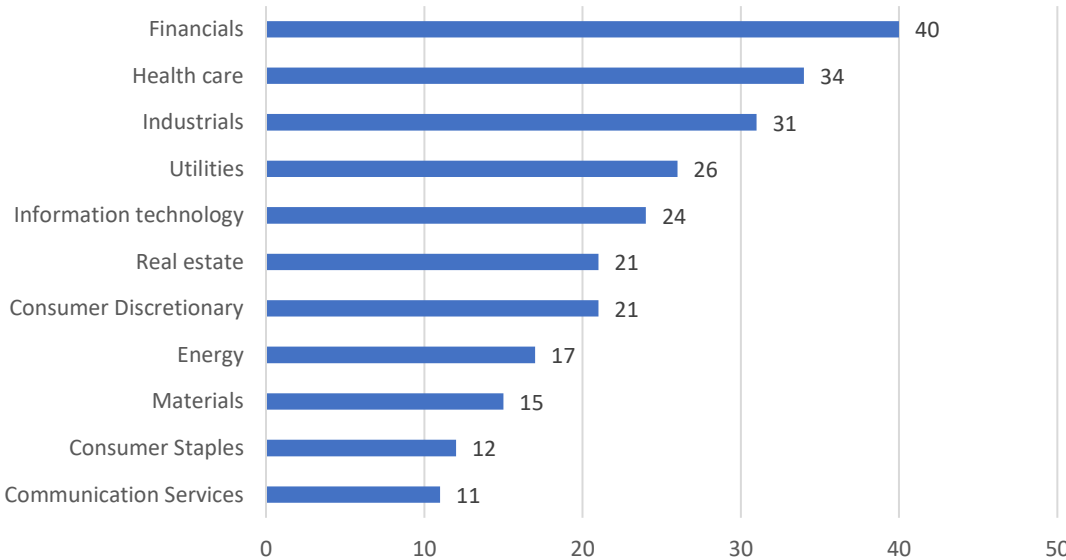


Total # of S&P 500 companies that tied *CEO compensation* to **ESG** metric: 252*

of Companies with ESG Metrics by Area (CEO)



of Companies with ESG Metrics by Sector (CEO)

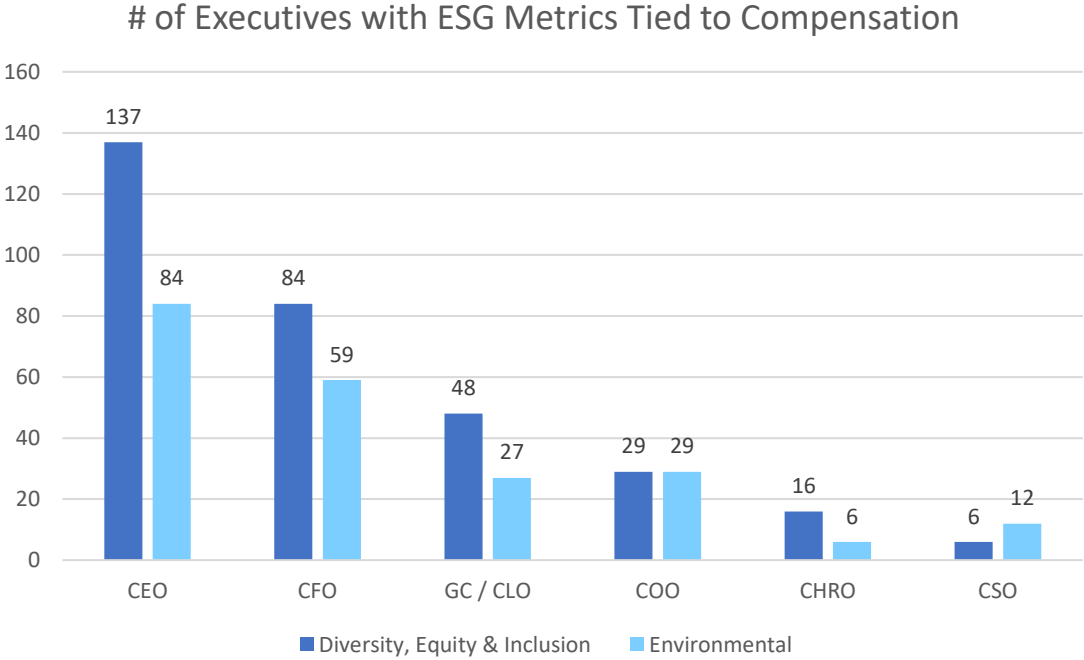


*As of August 2021; disclosure year = 2021



CEO & Executive Compensation

Total # of S&P 500 companies that tied *executive compensation* to **Diversity, Equity & Inclusion** metric: 134
Total # of S&P 500 companies that tied *executive compensation* to **Environmental** metric: 72

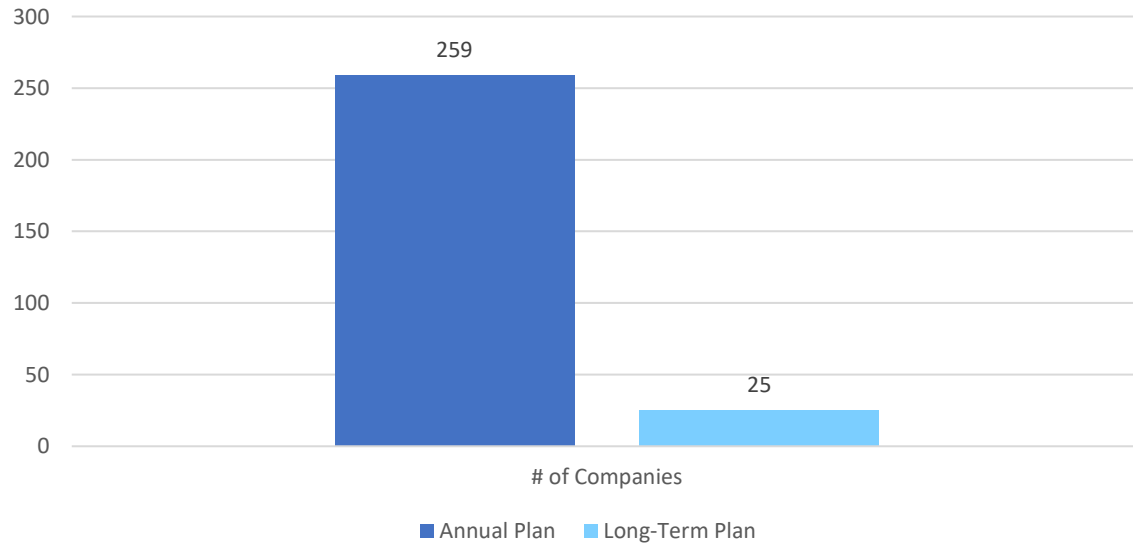


As of August 2021; disclosure year = 2021

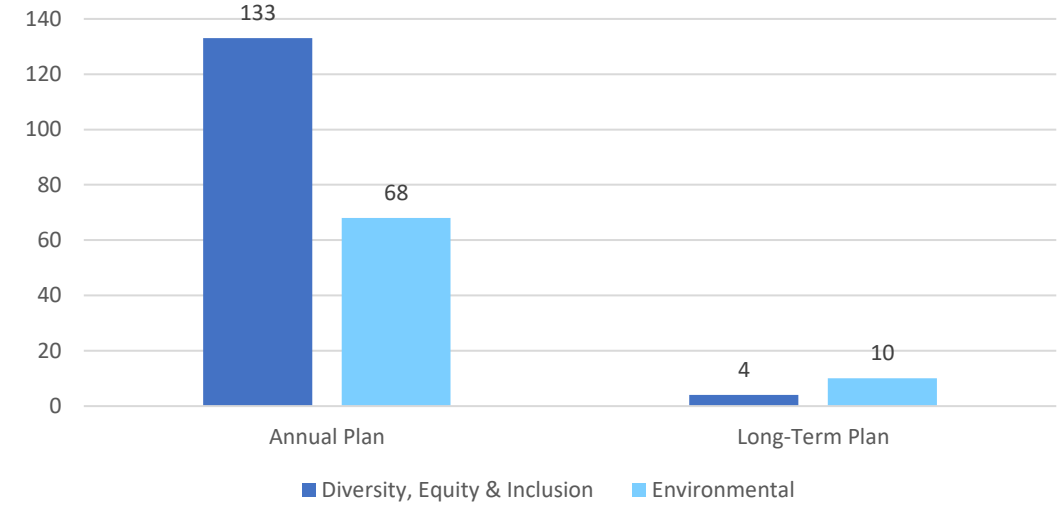


CEO & Executive Compensation

of Companies with ESG Metrics by Incentive Plan Type (CEO)



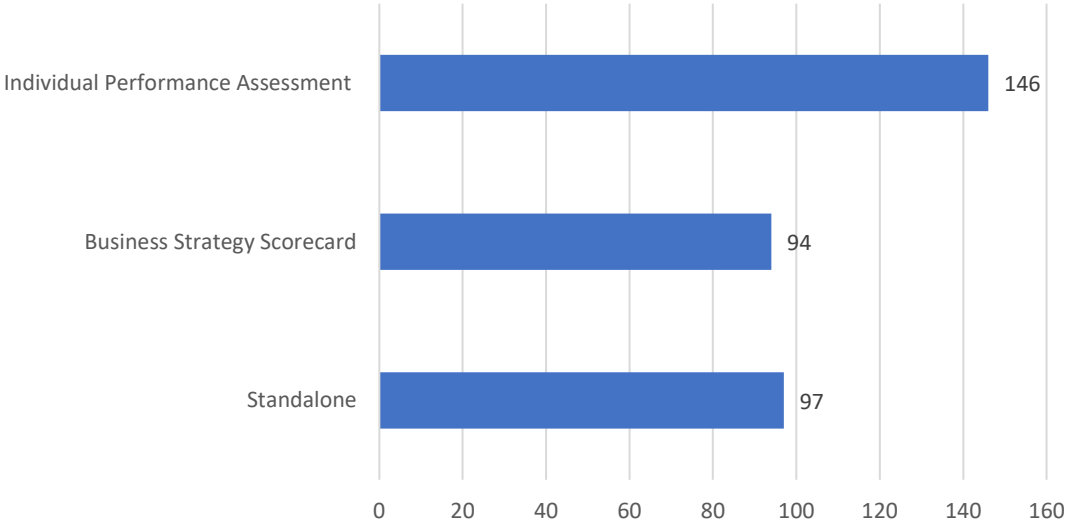
of Companies with ESG Metrics by Incentive Plan Type (DEI and Environmental)



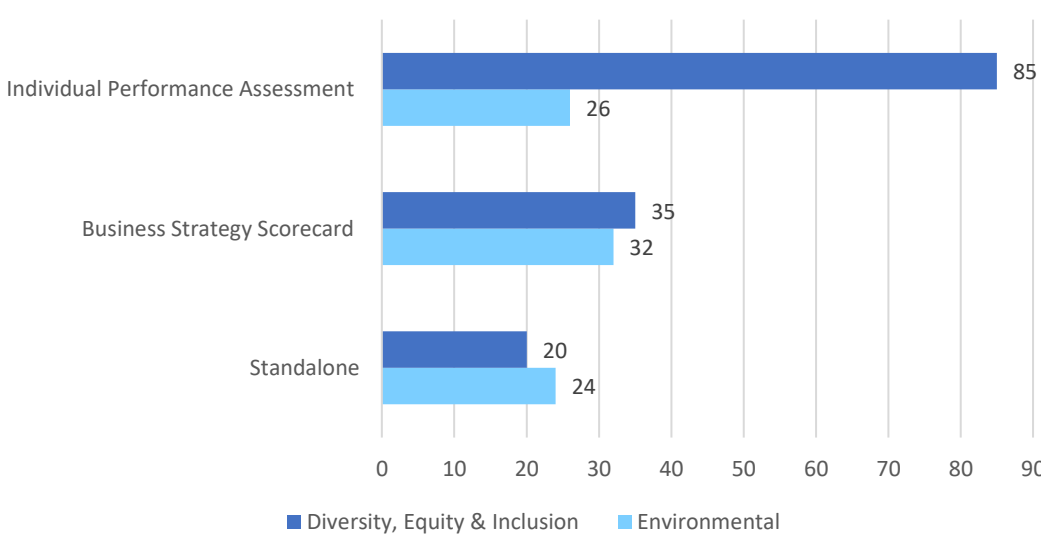
As of August 2021; disclosure year = 2021

CEO & Executive Compensation

of Companies with ESG Metrics by Integration Type (CEO)



of CEOs with ESG Metrics by Integration Type



As of August 2021; disclosure year = 2021



Poll Question

Resources



27TH ANNUAL

EXECUTIVE COMPENSATION CONFERENCE

VIRTUAL EVENT

September 28, 2021

This event is Complimentary for
The Conference Board members.

Register now at www.conference-board.org/execom

CEO and Executive Compensation Practices

IN THE RUSSELL 3000 AND S&P 500 | 2021 EDITION



Complemented with an online dashboard powered by:

ESGAUGE
INTANGIBLES AI

CEO and Executive Compensation in the Russell 3000 and S&P 500: 2021 Edition

ESG Incentive Plan Metrics Screening Tool

Allows you to see what ESG performance metrics firms are using not only across the S&P 500 but the entire Russell 3000.

By using this new tool, you can:

- **Search for ESG metrics** by (1) C-suite position, general metric category (governance, environmental, human capital management, or other social); (2) specific topic area (e.g., diversity & inclusion), (3) type of plan where the metric appears (annual bonus plan or long-term incentive plan); and (4) type of metric (standalone metric, a blend of metrics aligned with a corporate-level strategic goal, or individual performance assessment), as well as several other factors.
- **Benchmark against companies** by index, industry, size, and performance.
- **Get direct access to the underlying disclosures with a single click** - saving you from having to search across the SEC database or individually reviewing other companies' filings.

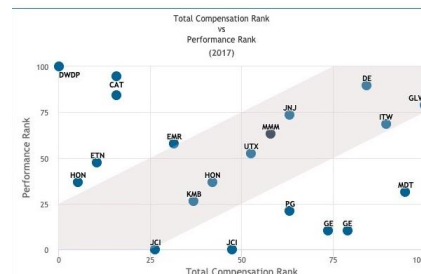
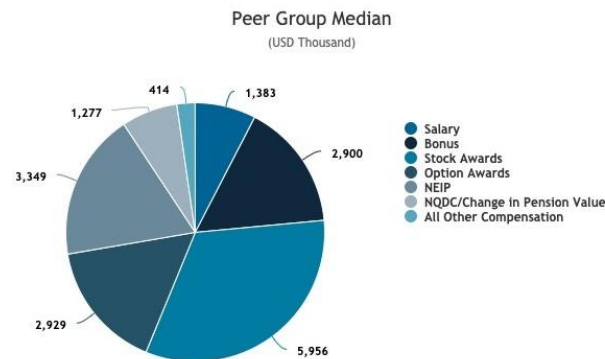


ESG Advantage Benchmarking Platform

The ESG Center serves as a resource, partner, and platform to help our Members address their priorities in corporate governance, sustainability, and citizenship through **trusted, timely, and actionable Insights**.

We now also offer **ESG Advantage** – the most powerful, comprehensive, and affordable ESG benchmarking tool in the marketplace, developed with ESGAUGE Analytics.

- ✓ Director Compensation
- ✓ **Executive Compensation**
- ✓ Board Practices
- ✓ CEO Succession
- ✓ Shareholder Voting



- **ESG Advantage** is the only platform that covers the **entire Russell 3000**
- The most comprehensive and powerful data:
 - ✓ **Quantitative and qualitative data**
 - ✓ **Direct links to underlying disclosures**, eliminating the need to go through third-parties
 - ✓ **Real-time data**, added within two weeks of Proxy filings
 - ✓ **Easy and efficient to use** – confidential, customized peer groups, data trend visualizations, and flexible analyses



ESG Advantage Benchmarking Platform

[SCHEDULE A DEMO](#)

www.conference-board.org/topics/esg-benchmarking



- [Incentive Design Changes in Response to COVID-19 \(database and publication\)](#)
The only **live database** on the changes that companies have announced in base salaries and incentive compensation in response to COVID-19. The Conference Board, in collaboration with Semler Brossy's research team and ESG data analytics firm ESGAUGE, is keeping track of SEC Form 8-K filings and proxy statements by Russell 3000 companies announcing these changes. [Last updated: July 31, 2021]
- [Executive and Director Compensation Reductions in the COVID-19 Era \(database and publication\)](#)
Conference Board, in collaboration with Semler Brossy's research team and Esguage Analytics, is keeping track of SEC Form 8-K filings by Russell 3000 companies announcing executive and director compensation reductions. [Last updated: July 28, 2021]
- [Highlights from the 2021 Proxy Season \(webcast – July 2021\)](#)
In this webcast, Gale Chang, SVP, Associate General Counsel and Assistant Secretary, **Bank of America**, Francesca Odell, Partner, and Helena Grannis, Counsel, at **Cleary Gottlieb Steen & Hamilton**, provided a wealth of cutting-edge insights on the 2021 proxy season, including on trends in say-on-pay and executive compensation disclosure.
- [Insights for Investors and Companies in Addressing Today's Social Issues \(publication\)](#)
This report discusses what institutional investors representing over \$12 trillion in assets expect companies to do with respect to health, economic, and racial inequality, as well as the implications of the 2020 upheaval for executive compensation.
- [Compensation & Benefits in a Post-COVID World \(webcast – June 2020\)](#)
In this webcast, Michael Albano, Partner at **Cleary Gottlieb Steen & Hamilton**, Audry Casusol, Partner at **Sidley Austin**, and Blair Jones, Managing Director at **Semler Brossy Consulting Group** discussed how companies had been updating executive pay heading into 2021.