them to the management board. These targets set the strategic direction of the company for its board members.

Isaac M. O'Bannon • Mar. 18, 2024

Almost two thirds (60%) of companies around the world who responded to the Global Equity Organization's (GEO) Global Equity Insights Survey (GEIS) said that they apply environmental, social and governance (ESG) targets to share-based employee compensation.

The non-profit body, dedicated to advancing knowledge and understanding of global equity compensation, said that its survey had revealed that the most common areas for such targets are:

1. CO_2 reduction

short-term incentive plans (STIs), which companies are increasingly offering to a wider range of employees in order secure talent and lock in innovation.

By comparison 30% of companies said they apply ESG to long-term incentive plans (LTIs), which are typically used to incentivize executives.

Overall 18% of companies said they were applying ESG targets to both plan types, while 13% said that, although they didn't currently use ESG targets, they were considering introducing them.

The findings of the survey suggest that low performing companies are more likely to only apply ESG targets to their LTIs than high performers: 20% of 'low performers' said they had compared with just 11% of companies noted as high performing.

Sheila Frierson, President, Plan Managers NA at Computershare, one of the report's sponsors, said: "More and more companies worldwide are working hard to figure out how they can best embed ESG principles into employee compensation, including employee equity plans.

"Companies will aim to implement systems that best align the goals of the company, such as reducing their environmental imprint or increasing employee diversity.

"Their approach will also be influenced by relevant jurisdictional ESG regulations including The EU's Sustainable Finance Disclosure Regulation (SFDR) or voluntary guidance such as Australia's principles for responsible investment."

84% of companies who responded to a survey question on environmental targets said that they have applied targets related to reducing such emissions.

Social targets

The report added that 40% of respondents said they were applying social targets to

Governance targets

39% of companies are applying corporate governance targets to ESG instruments, with that figure rising to 67% in NA, according to the report. 28% of companies are focusing on stakeholder relationships while a further 17% are incorporating targets relating to sustainable supply chains.

The issue of supply chain sustainability appears to be more prominent in Europe, with 22% of companies on the continent incorporating such targets into supply lines.

Influencing factors

The research also shows that institutional investors and proxy advisors have a significant influence on responding companies' ESG targets, with more than half (62) saying that they have a medium-to-high influence.

Whilst most NA companies (42%) surveyed described institutional investors and proxy advisors as having a 'medium' influence on the targets, most European companies (43%) said that their impact was 'high', reflecting the increasing influence of proxy advisers on European organisations.

The report also points out that 38% of companies questioned publish ESG reporting information within the annual report and that many also publish using other channels.

32% of companies still don't report on ESG topics in relation to LTIs, it added.

The research was also sponsored by Fidelity, hkp/// group, SAP, Siemens Energy, University of Göttingen and Vialto.

For more information, and to see the GEIS report's executive summary, see: