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# Survey Finds More Executives' Compensation Tied to ESG Goals, But Progress Slow in Reaching Them

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A new study by the IBM Institute for Business Value found that approximately half of CEOs and their executive teams surveyed have their compensation tied to the organizations' performance in relation to sustainability goals. This figure represents a significant increase from just 15% reported in last year's study.

The annual study, **"CEO decision-making in the age of AI: Act with intention"**, released on June 27, 2023, also found that company decision-makers often fall short in reaching their organizations' ESG goals. While 95% of respondents have operational ESG goals, only 10% have made significant progress toward meeting them. Environmental sustainability has also fallen on the list of top organizational priorities from third last year to fifth this year, the report found. Meanwhile, "productivity or profitability" leaped to the top spot this year from sixth place last year. In addition, less than half—approximately 45%— of CEOs surveyed also reported having confidence in the ability to accurately report on ESG strategy and initiatives, due to the expanding definition of "sustainability" and uncertainty around the appropriate metrics to use.

The survey results are based on interviews with 3,000 CEOs from more than 30 countries and 24 industries, conducted by the IBM Institute for Business Value in cooperation with Oxford Economics. The interviews focused on executive perspectives on leadership and CEO decision-making regarding organizational challenges and opportunities, technology, data and metrics, and visions for a future shaped by generative artificial intelligence, **according to an IBM statement**.

**Taking the Temperature: The IBM survey's findings on companies' lack of confidence in sustainability reporting are in line with the results of a study we reported on earlier this year by PwC and the Leadership Institute at the London Business School, which addressed the prevalence and efficacy of linking executive pay to ESG-related goals or targets. The report revealed that the vast majority of 50 of the largest European listed companies surveyed had adopted some form of carbon target incentive in executive pay, and an even higher percentage met their targets. However, the measures that companies most commonly failed to meet included the transparency of targets, which were rarely prospectively disclosed, and their quantitative link to the company's stated long-term carbon reduction goals, which were often unclear.**

**Investors are increasingly attempting to exert pressure on companies to clarify and strengthen the link between executive pay and meeting sustainability goals. As we reported in June, the shareholder advocacy group Australasian Centre for Corporate Responsibility (ACCR), HSBC Global Asset Management (UK) Limited and Amundi Asset Management filed a shareholder resolution pressing Japanese power company Electric Power Development Co., Ltd., known as J-Power, to disclose in its annual reporting how remuneration is linked to progress toward emissions reduction targets. The investors considered a direct link between executive compensation and the achievement of those targets to be important to incentivize management performance and protect corporate value, according to the resolution.**