


Plastic – Executive Compensation

Questions for investors and lenders to ask management

Recommended Questions		Report Key Takeaways
<p>Q.1</p>	<p>Question: 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"> • All 39 companies in Planet Tracker's universe of plastic-related companies have sustainability policies and performance-based pay structures. But assuming a link between these two items would be foolhardy. • 95% of these companies fail to reveal a material and quantitative link between executive compensation and sustainability factors. • A simple nod to materiality and a quantitative link to sustainability in the pay structure, a further four companies make the grade, meaning that 85% still fail. • 54% of these companies do not have science-based targets while 41% of these companies reveal no link between compensation and sustainability factors at all. • Only 2 companies make the top category by providing a quantitative link between sustainability and compensation as well as sharing material targets. <p>Click to view the report online</p>  <p>Disclaimer: Click here</p>
<p>Q.2</p>	<p>Question: 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>	
<p>Q.3</p>	<p>Question: 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. Many companies have a weighting of less than 5%.</p> <p>Target: Set a minimum 10% (aim to increase to 20%) weighting of executive compensation linked to clear sustainability deliverables.</p>	

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