

Textiles industry out of fashion with failure to link executive pay with sustainability performance

Analysis from Planet Tracker finds over half of textile companies have no link between executive pay and sustainability goals, a key driver of credible action

LONDON, UNITED KINGDOM, April 26, 2023 /EINPresswire.com/ -- Some of the world's biggest textile companies are failing to tie executive pay to environmental, social and governance (ESG) performance, according to new research by financial think tank Planet Tracker.

Planet Tracker's Textiles Compensation report analyses 30 top textile brands, revealing that over half of companies (17), including Anta Sports, Gap, Levi Strauss, Nordstrom, Under Armour and Victoria's Secret, lack any link whatsoever between pay and ESG metrics.

Given 70% of S&P 500 companies now factor sustainability metrics into executive pay programmes, the textiles industry is a laggard in incentivising better sustainability performance, despite, for example, accounting for c.10% of global emissions.

Planet Tracker's research also finds that the approaches of the majority of companies (13) that do align compensation with ESG performance are insufficient. To ensure remuneration programmes create meaningful change, companies should set clear, quantitative annual targets linked to sustainability improvement.

Planet Tracker found that only two companies – Adidas and Puma – have clear annual sustainability-linked objectives and reporting for executive pay programmes.

Richard Wielechowski, Head of the Textiles Programme at Planet Tracker, comments, "Every textile player we analysed is publicly committed to embedding sustainability into their operations and growth, yet these pledges are mere window dressing if the leaders of these companies are not held accountable for delivering sustainability goals.

"Given that the top 20 equity investors in these companies hold a combined USD 278 billion of private finance is invested in the industry, shareholders have the power to incentivise management beyond purely financial performance, helping companies move towards more sustainable practices".

The report calls on investors to uphold effective sustainability-linked performance pay, by

ensuring:

- Performance-linked pay is material: companies should set a meaningful (10%+) percentage of compensation at risk based on sustainability performance
- Targets and results are independently verified: companies should align with initiatives such as SBTi, which requires companies to set and disclose specific targets
- Targets are quantitative: sustainability targets should be clear and quantitative, similar to profit targets
- Targets are annual as well as long-term: targets should be annual, rather than vague indications of direction of travel
- Sustainability targets are independent from financial targets: targets should be independent of rather than subordinate to profitability targets
- Achievements are clearly disclosed: companies should disclose what has and has not been delivered, rather than reporting on direction of travel only

Textiles Compensation: The Sustainability-Pay Disconnect can be [downloaded in full here](#).

ABOUT PLANET TRACKER

Planet Tracker is a non-profit financial think tank producing analytics and reports to align capital markets with planetary boundaries. Our mission is to create significant and irreversible transformation of global financial activities by 2030. By informing, enabling and mobilising the transformative power of capital markets we aim to deliver a financial system that is fully aligned with a net-zero, nature-positive economy. Planet Tracker proactively engages with financial institutions to drive change in their investment strategies. We ensure they know exactly what risk is built into their investments and identify opportunities from funding the systems transformations we advocate.

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