RESPONSIBLE REWARD

FULFIL YOUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROMISES THROUGH PERFORMANCE AND PAY

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PeopleNet Ltd

Corinne Carr is a Remuneration Consultant based in London who specialises in executive pay. She advocates that remuneration should extend beyond rewarding for financial performance to incentivising positive societal impact.

She is a leading voice in the field of 'responsible reward' which forges a link between corporate performance, sustainability and pay outcomes. Using the bespoke E.A.R.T.H.™ methodology (Evaluate, Ascertain, Realise, Tell, and Help), Corinne integrates environmental, social and governance (ESG) measures into remuneration structures so that clients become an investor, an investee and an employer of choice.

Corinne works closely with the UNPRI and Cass Business School, London, to promote better engagement on remuneration matters between investors and corporates.

She established the remuneration consultancy, PeopleNet Ltd, in 1998 and her clients include major international banks, asset managers and listed firms.

Bilingual in French and English, Corinne started her career with Bank of America in 1990 and holds an MBA from the EUA, San Francisco. She is a Fellow of the CIPD in London, the professional body for Human Resources specialists, and first studied HR in Paris where she grew up. Further details about her background can be found at www.peoplenet.ltd.uk.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

If you're a responsible investor or investee company, then please read on. This report provides valuable insights to assist with your quest for long-term success.

At today's annual rate of consumption, we will be using the equivalent resources of two Earths every year by 2030. This is the same year as when approx. 200 countries have committed to achieving the **United Nations 17 Sustainable Development Goals** (SDGs) to protect and develop our environment and our people, and create prosperous economies. Despite the growing trend of green and social investment products, they still only represent one-third of the trillions of dollars needed for the SDGs.

Both responsible investors and investees acknowledge that they have to respond to the **increasing demands from, mainly younger, consumers and employees** as to where products are sourced, how they are manufactured, and how their financial savings are invested for later years.

Some **sceptics** advocate that businesses only exist to make money for their owners and do not wish to risk compromising financial returns at the expense of societal impact. They misconceive that the two are mutually exclusive.

In addition, **divergent views** within and across investment and advisory firms cause frustration and confusion for corporates who try to balance the conflicting financial, environmental, social, and regulatory demands placed upon them by their varied stakeholders.

Initiatives such as the UN-supported Principles for Responsible Investment (UNPRI) **executive pay recommendations** expressly require the link between corporate performance, implementation of environmental, social, and governance (ESG) targets, and the determination of pay outcomes, starting at the executive level. Although there is a lot of interest on the part of organisations in signing up to these agreements, there is, currently, **little to show** in terms of such linkages.

Some debate whether it's right and necessary to pay for doing the 'right thing'. While a very subjective concept and a valid and deep philosophical question, the world has already moved to a place where this is happening all day and every day at, and outside of, work. We are rewarded for what we do and penalised for what we don't do. So now is not the time to deliberate and hesitate about what's right or wrong. Now is the time for new and existing businesses to **redress the balance** of global environmental, social, and governance flaws created by humankind.

If we don't, then there will be more firms cutting corners, aggressively reducing costs, and promoting short-term financial gains by taking unreasoned risks that have a disastrous effect on their future viability. This report includes recent and current examples of major companies who have defaulted on their corporate social responsibilities. At some point in their history, these firms have had a **catastrophic impact** on the environment, inconsiderate employee and consumer oversight, or poor relations with governments.

We also explain the crippling consequences of these malpractices on the **investment chain** in terms of financial worth and people well-being.

But this chaos creates a **world of opportunities** for change. As investors, suppliers, consumers, and employees, we all play a combination of these roles to reach the SDGs. A more joined up engagement will accelerate meaningful ESG progress.

There is strong evidence that **sustainability and corporate financial performance are positively correlated**; when firms identify their ESG priorities and align them to their business strategy, they, overwhelmingly, reap the benefits of increased long-term financial returns. Over 1,800 global responsible investors have signed up to the UNPRI and other similar initiatives to show their commitment. They have included ESG factors into their investment strategies and work closely with responsible firms who drive their business strategies accordingly.

Following the Second World War and still applicable today, there have been evolving **national and international interventions** on how to improve the environment, the treatment of human beings, and the conditions in which people live and work. Since the 2008 financial

crisis, international regulations, for example on remuneration in the financial sector, have tightened up the link between individual, business performance, and pay. Since 2015, UK and international laws related to the protection of the environment and gender equality have come to the fore and show no sign of abating.

Executives and key individuals set the tone and direction from the top of where the firm is aiming from a sustainability point of view, **but we all have corporate citizen rights and duties to perform**.

There are some employees who have strong intrinsic ethical principles and do not need nor value extra financial motivation to act. Others will focus their time and efforts on what triggers the payment of financial incentives to reward them for making the change. Both types live and work side by side and create the overall **culture** of a business.

Responsible reward incentivises and recognises those employees, from executive level down to the wider workforce, who contribute most to ESG goals, either individually or collectively. Adhering to local, international, and industry frameworks, each firm determines its sustainability priorities and where it is most likely to be impactful. **Responsible reward encapsulates the sustainability targets** that are material to a business in delivering its core strategy and links them to annual and long-term incentive plans.
The PeopleNet **E.A.R.T.H.**™ methodology (**Evaluate** the current situation, **Ascertain** targets and options, **Realise** changes, **Tell** internal and external stakeholders, and **Help** monitor progress and results) provides the five steps businesses follow when they design and implement responsible reward to fulfil their environmental, social, and governance promises through performance and pay.

Synopses of **interviews** with well-known and respected investors and corporates who wish to share their views and practices are found in the Appendices section. They value and are already embracing the concept of responsible reward and will spur you on to follow suit.

So, let's get started!

To download the full report, please visit:
http://www.peoplenet.ltd.uk/responsible-reward-report-request/

THE E.A.R.T.H™ METHODOLOGY

Five steps to reward responsible businesses:

EVALUATE ASCERTAIN REALISE TELL HELP

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Architects of Success in Responsible Reward

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