

Schemes linking company bosses' pay to cuts in greenhouse gas emissions are ineffective, research shows

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Schemes linking corporate executives' pay to how far their firms cut their greenhouse gas emissions are ineffective, new research says.

Emmanuel Morrison, of Teesside University, analyzed data on 1,970 multi-national corporations based in 50 countries, including the UK, and found that the schemes were merely "engaging in superficial impressions."

Many large companies have brought in schemes offering executives bonuses for cutting their firms carbon dioxide emissions. But Mr. Morrison's research found that among the multi-nationals he studied, the bonuses had almost no effect.

He told the British Academy of Management [conference](#) at the Nottingham Business School, Nottingham Trent University, "Multi-national corporations might invest in certain board sustainability characteristics to portray a false positive image but still produce high emissions. This is further backed by the notion that multi-national corporations with high environmental threats are more inclined to invest in sustainability as an image management tool to preserve their legitimacy.

"The global community faces challenges in establishing sustainable business practices to enhance sustainability and lower greenhouse gas emissions. There is, however, minimal evidence on the potential of corporate governance processes in tackling or mitigating climate change risks."

The total [greenhouse gas emissions](#) comes from sources that are owned or controlled by the company including its electricity, cooling, heat, steam and similar sources. In 2023, the 1,970 firms studied emitted 9.13 billion metric tonnes of carbon dioxide.

Mr. Morrison found only that when a corporation's initiatives on sustainability were backed up by a [sustainability](#) committee set up by the [corporation](#) and a proper reporting framework were they successful, and

then only reducing emissions by around 1.2%. However, only a minority have these procedures.

He studied firms in 67 different types of industries from 2002 to 2022, and adjusted to data to exclude effects caused by the country, industry and the year the data came from, to isolate the effect of executive compensation and initiatives on cutting emissions. Of the 1,970 firms studied, 211 were based in the UK.

Provided by British Academy of Management

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