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## **ESG performance measures for executive compensation plans: Delphi inquiry strategy and experts' opinion**

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### **Abstract**

Rising levels of executive compensation amidst the widening inequality, unemployment, poverty and other socio-economic challenges have raised questions among the policy makers, academics and practitioners alike on the best ways to resolve this conundrum. The main objective of this study was to identify a composite mix of environmental, social and governance (ESG) indicators that can be used in executive compensation plans. Whereas the importance of incorporating the ESG in executive compensation plans is well documented, it is not known which indicators are appropriate and can be used in South African context. Sequential exploratory research designed was used in this study. ESG based indicators were identified from the literature and then subjected to three rounds of surveys in a Delphi enquiry strategy. An eclectic mix of non-financial performance measures (NFPMs) based on the ESG philosophy were identified, confirmed and validated by a diverse team of international experts. In order to curb the rising executive compensation and to disincentivise shorttermism associated with sole reliance on profits as the only yardstick for performance, NFPMs identified in this study should be integrated into the executive compensation designs. On empirical front, the study proffers a novel NFPMs for executive compensation plans that are predicated on ESG philosophy. The methodological contribution lies on the use of a Delphi inquiry strategy which has never been used in the area of executive compensation.

**Keywords:** Environmental, Non-financial, metrics, directors' remuneration, South Africa.