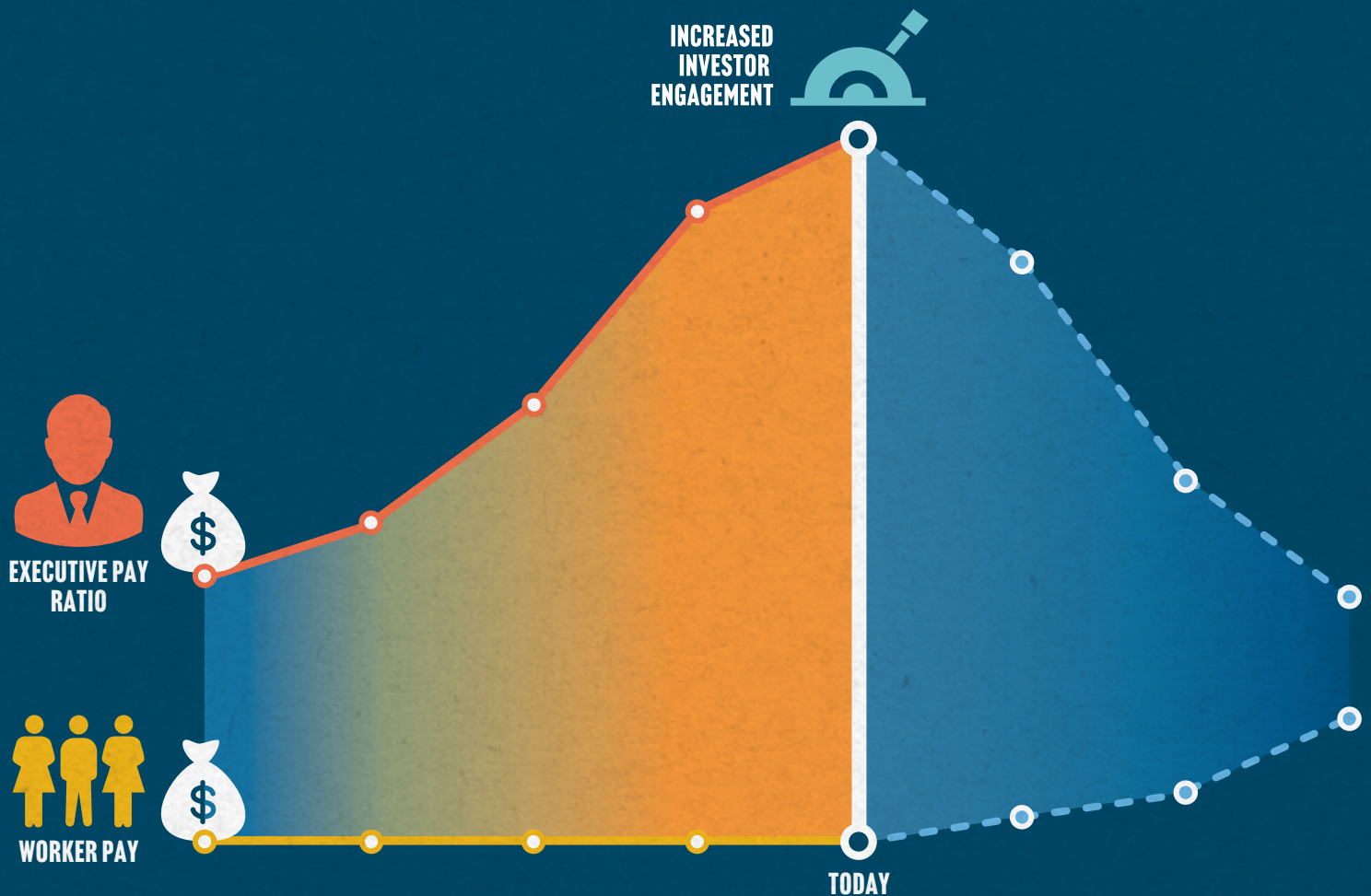


Excessive Executive Compensation: Investor Guidance



ACKNOWLEDGEMENTS

ICCR would like to thank the members of the Excessive Executive Compensation Leadership Team for their time and valuable contributions to the development of this report:

- Christopher Cox, Seventh Generation Interfaith CRI
- Gina Falada, ICCR
- Matthew Illian, United Church Funds
- Rosanna Landis Weaver, Consultant to ICCR
- Nadira Narine, ICCR
- Jason Opeña Disterhoft, Majority Action
- Tatiana Parrott, Vancity
- Hasina Razafimahefa, NEI Investments
- Brandon Rees, AFL-CIO
- Divya Sundar, Majority Action

The views expressed in this guidance are those of the authors, and not necessarily of any individual or organization which contributed to the guidance.

Designed by Molly Conley

APRIL 2026

Photo credits: Cover design: Molly Conley; page 13: One Fair Wage; page 18: Sweeann/shutterstock.com; page 20: Glynnis Jones/Shutterstock; page 30: Rogistock/stock.Adobe.com.

Interfaith Center on Corporate Responsibility
475 Riverside Drive, Suite 1842
New York, NY 10027

Visit us online at www.iccr.org



About the Interfaith Center on Corporate Responsibility (ICCR):

The Interfaith Center on Corporate Responsibility (ICCR) is a broad coalition of more than 300 institutional investors collectively representing over \$4 trillion in invested capital. ICCR members, a cross-section of faith-based investors, asset managers, pension funds, foundations, and other long-term institutional investors, have over 50 years of experience engaging with companies on environmental, social, and governance (“ESG”) issues that are critical to long-term value creation. ICCR members engage hundreds of corporations annually to foster greater corporate accountability.

To learn more about this report and ICCR’s Advancing Worker Justice program, contact AWJ@iccr.org.

DISCLAIMER

This report offers research to investors, their advisors and service providers on the risks created by excessive executive compensation and the tools investors have to address it. This report contains external links to other resources and statements by individuals who do not represent the Interfaith Center on Corporate Responsibility (“ICCR”). Although it is believed to be reliable, ICCR does not endorse or validate the information provided by any of the sources cited in this report. ICCR makes no representations and provides no warranties regarding any information or opinions provided herein or in any third-party websites or services that you may access as a result of this publication. Neither ICCR nor any of its employees, officers, directors, or agents shall be liable for any damage or loss caused or alleged to be caused by reliance on any such information or opinions.

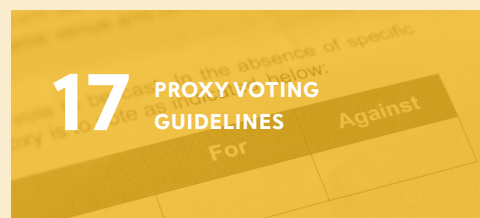
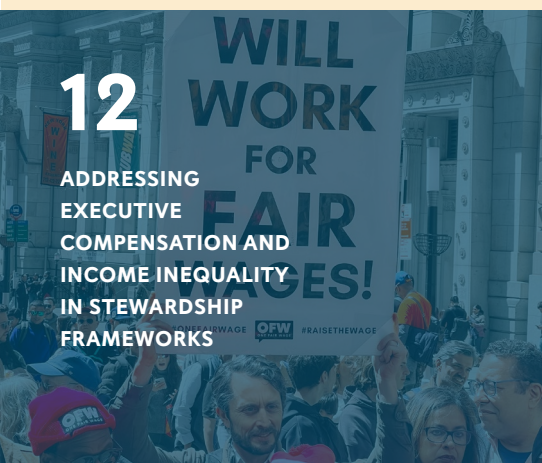
ICCR does not provide, nor does this report constitute, investment, financial planning, legal, accounting or tax advice. The content of ICCR’s publications is provided for informational and educational purposes only and should not be considered as information sufficient upon which to base any decision to invest, purchase, sell, trade, vote, or engage in any other investment-related transaction.

Reproduction Note/Copyright:

©2026 by ICCR. All rights reserved. Material in this report (including text and any charts/illustrations) may not be copied or duplicated in whole or part by any means without express prior agreement in writing. Some photographs or documents contained in this publication may be the copyrighted property of others; acknowledgment of those copyrights is herein given. All such material is used with the permission of the owner. Readers shall not use, redistribute or transfer content contained in the publication for any commercial purpose, including but not limited to the republication or sale of information, services, or resources contained therein.

CONTENTS

| | |
|----|--|
| 5 | INTRODUCTION |
| 7 | ICCR'S HISTORY OF ENGAGEMENT ON EXECUTIVE COMPENSATION, LIVING WAGES, AND INEQUALITY |
| 13 | ADDRESSING EXECUTIVE COMPENSATION AND INCOME INEQUALITY IN STEWARDSHIP FRAMEWORKS |
| 18 | PROXY VOTING GUIDELINES |
| 20 | SAY-ON-PAY |
| 24 | PEER COMPARISON |
| 26 | COMPENSATION DESIGN & INCENTIVE METRICS |
| 30 | EVALUATIONS OF ONE-TIME AWARDS |
| 32 | GUIDELINES THAT ADDRESS THE COMPENSATION COMMITTEE |
| 34 | EQUITY AWARDS |
| 37 | RESOURCES FOR ENGAGING WITH COMPANIES AND MANAGERS |
| 41 | CONCLUSION |

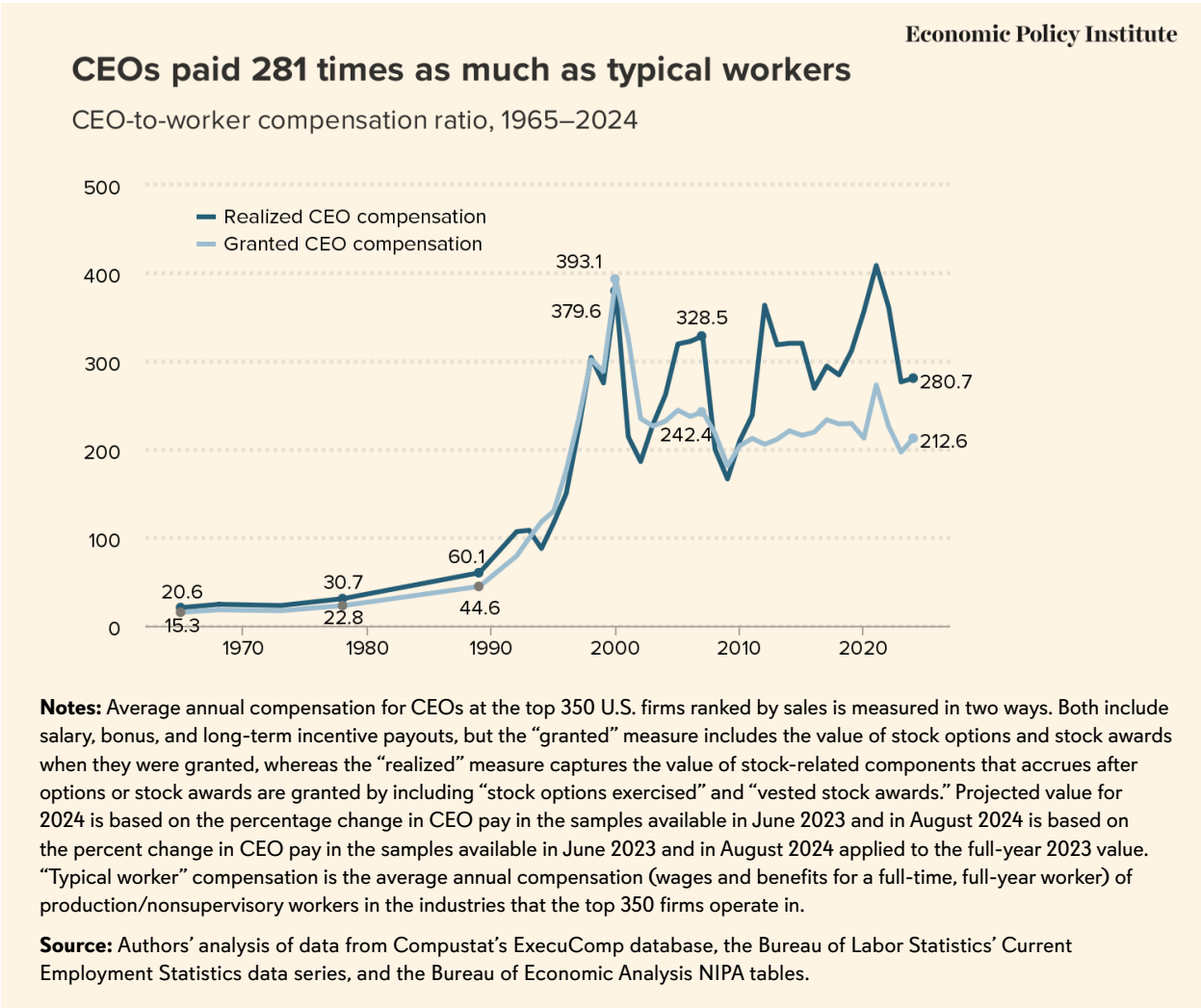


INTRODUCTION

For decades, ICCR members have called attention to the widening gap between corporate executive pay and the compensation of everyone else. In recent decades, the average CEO of the largest U.S. company has made around 300 times as much as the median worker. This gap highlights a fundamental imbalance in how companies distribute resources, with outsized executive compensation awarded alongside wages that often fail to meet the basic needs of most employees.

This wasn't always the case. In 1965, CEOs were paid just 21 times as much as a typical worker.¹

While researchers point to many factors contributing to skyrocketing executive pay packages, this report focuses on the role investors play. Investors have, in large part, enabled excessive pay packages by voting with management on Say-on-Pay proposals. Overall shareholder support for management's Say-on-Pay proposals averaged over 90% among Russell 3000 companies in 2025.² This is in spite of research suggesting a weak or negative correlation between the growth in executive pay and shareholder performance.^{3,4} America's largest investment companies, BlackRock, Vanguard, State Street and Fidelity, are among the strongest supporters of executive pay packages.⁵ Even Elon Musk's trillion dollar Tesla pay package passed with more than 75% support from voting shares last year.⁶



INTRODUCTION

ICCR's [Advancing Worker Justice program](#) launched the Excessive Executive Compensation (EEC) working group in September 2025 to provide a learning forum for investors seeking to adopt or strengthen their own proxy voting guidelines and take steps to hold asset managers accountable for their Say-on-Pay and Equity Incentive Plan votes.

As ICCR launches this new campaign, we seek to empower investors with updated fiduciary tools and renewed moral clarity to encourage executive compensation practices that are guided by values of fairness, stewardship and shared prosperity at all companies.

This report lays out opportunities for investors to:

- Learn the role ICCR played in advancing Say-on-Pay voting rights for investors;
- Understand the systemic risks that income inequality and excessive executive pay pose to long-term diversified investors;
- View examples of investors who are addressing these concerns in Stewardship frameworks including Investment Policy Statements, Investment Beliefs or other governing documents, as applicable; and
- Strengthen proxy voting guidelines to ensure compensation issues are being addressed appropriately.

This report is also expected to be useful for asset owners who want to analyze their external managers' voting records and stewardship practices.

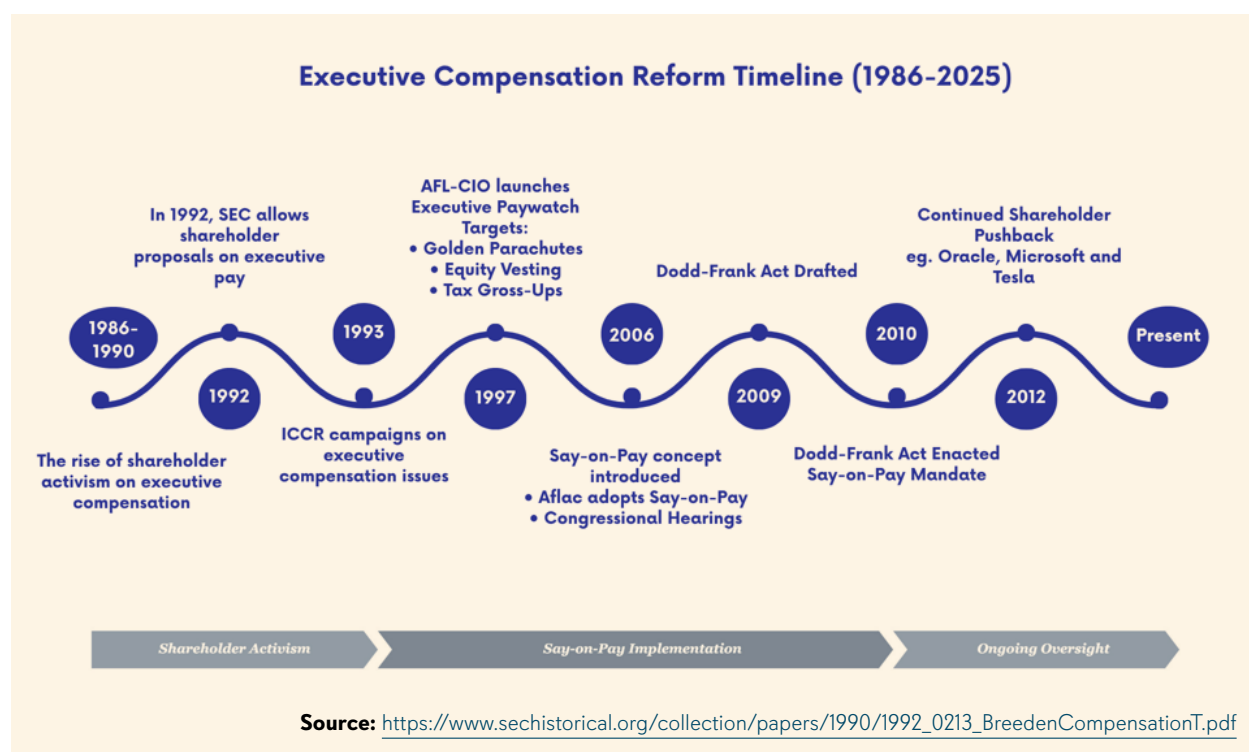
This report focuses on a select handful of investment policy statements and guidelines from ICCR members and peers with clear guidelines on addressing excessive executive compensation and income inequality. Where permission has been granted, the organization is cited and a link to its guidelines are provided; others are anonymized by request.

ICCR invites investors, asset owners, asset managers, and other market participants to join us in advancing these actions to strengthen executive compensation stewardship and support long-term market resilience.

-
- 1 Economic Policy Institute, "CEO-to-Worker Pay Ratio," accessed March 6, 2026, <https://www.epi.org/chart/ceo-pay-ceo-to-worker-pay-ratio/>
 - 2 Semler Brossy Consulting Group, "2025 Say on Pay Reports," *Semler Brossy Insights*, January 15, 2026, <https://semlebrossy.com/insights/2025-say-on-pay-reports/>
 - 3 Asia Pacific Journal of Management, "Are executive pay and firm performance related? Evidence-based on meta-regression analysis" September 2024, <https://link.springer.com/article/10.1007/s10490-024-09979-9>
 - 4 As You Sow, "10 Years of Study Shows Overpaid CEOs Underperform," press release, November 15, 2023, <https://www.asyousow.org/press-releases/2023/11/15-ten-year-study-overpaid-ceo-underperform>
 - 5 Matthew Illian, "Say-on-Pay 2025 Proxy Voting Review of Large Asset Managers," *Harvard Law School Forum on Corporate Governance*, January 22, 2026, <https://corpgov.law.harvard.edu/2026/01/22/say-on-pay-2025-proxy-voting-review-of-large-asset-managers/>
 - 6 Vanessa Balintec, Zoe Law, Heather Timmons, and Karishma Singh, "Tesla Shareholders Approve \$878 Billion Pay Plan for Elon Musk," Reuters, November 6, 2025, <https://www.reuters.com/legal/transactional/tesla-shareholders-approve-878-billion-pay-plan-elon-musk-2025-11-06/>

ICCR'S HISTORY OF ENGAGEMENT ON EXECUTIVE COMPENSATION, LIVING WAGES, AND INEQUALITY

From its earliest days, ICCR has grounded its work in the principles of equality and justice, particularly confronting apartheid in South Africa. Awareness of how corporate practices could entrench economic inequality and racial disparities helped shape ICCR's approach to shareholder advocacy and set the stage for its first campaigns on EEC and living wages.



EXECUTIVE COMPENSATION

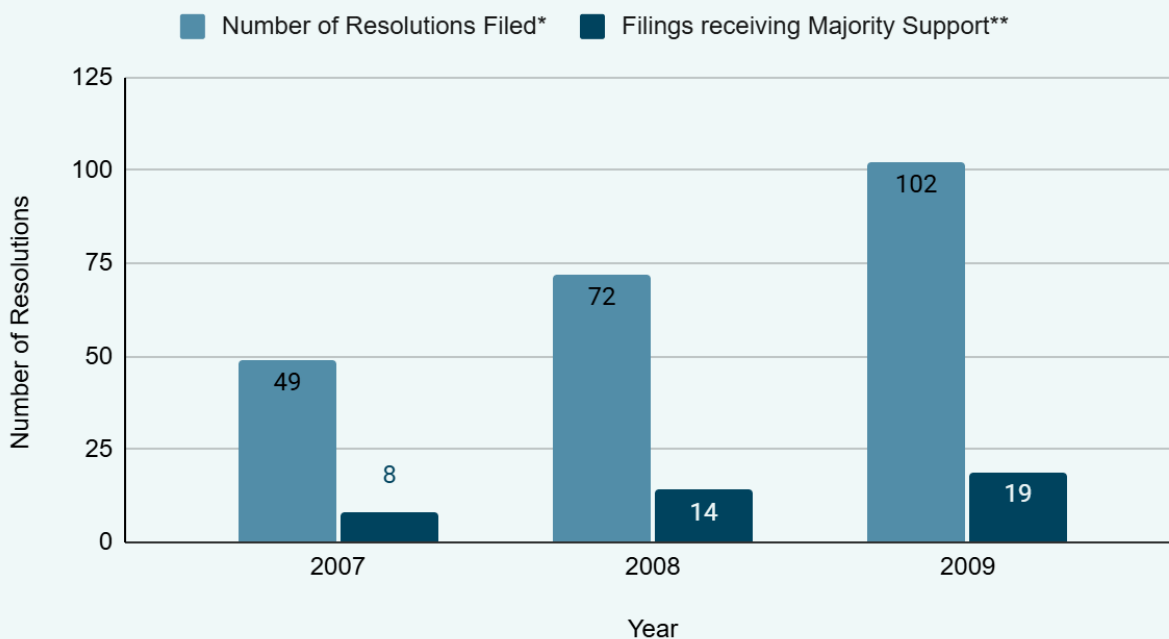
In 1992, the U.S. Securities and Exchange Commission (SEC) amended its proxy rules, clarifying shareholder rights under Rule 14a-8 and facilitating greater shareholder engagement on governance issues, including executive compensation. Since that time, ICCR members have actively engaged hundreds of companies seeking ways to provide checks and balances on runaway executive compensation.⁷ As pay rose astronomically, shareholders had little recourse beyond voting against board members or filing shareholder proposals. In 1997, the AFL-CIO first published its Executive Paywatch website to draw public attention to rising CEO pay levels.⁸ Over the years, the AFL-CIO, other union funds, and other investors filed proposals to limit a variety of abusive pay practices including excessive golden parachutes, the accelerated vesting of equity awards, stock option expensing, tax gross-ups, and preferential executive retirement benefits.

The United Kingdom introduced a requirement in 2002 for UK-incorporated companies to hold an annual advisory vote on the compensation practices for both executive and non-executive directors.⁹ In 2006, Boston Trust Walden and the American Federation of State, County and Municipal Employees (AFSCME) began presenting this concept to U.S. companies.¹⁰ Investors filed shareholder proposals requesting that companies implement an annual vote, later named “Say-on-Pay.” In 2007, Aflac became the first publicly traded company to adopt Say-on-Pay, and CEO Daniel Amos explained his decision, “Our shareholders, as owners of the company, have the right to know how executive compensation works...An advisory vote on our compensation report is a helpful avenue for our shareholders to provide feedback on our pay-for-performance compensation philosophy and pay package.”¹¹

AFLAC 2007 PROPOSAL RESOLVED CLAUSE:

“RESOLVED, that shareholders of Aflac urge the board of directors to adopt a policy that Company shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Aflac’s management, to ratify the compensation of the named executive officers (“NEOs”) set forth in the proxy statement’s Summary Compensation Table (the “SCT”) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.”

Shareholder Resolutions Requesting Say-on-Pay



*<https://corpgov.law.harvard.edu/2009/04/29/compensation-proposals-in-2009-proxy-season/>

**<https://home.treasury.gov/news/press-releases/tg219>

Shareholder proposals calling for the adoption of Say-on-Pay votes increased from 49 in 2007, to 72 in 2008, to 102 in 2009. Majority support for Say-on-Pay proposals grew from 8 companies in 2007 to 14 in 2008 and 19 in 2009. These results helped make the request for an annual vote on executive compensation credible to the public and Congress, which was considering approaches to curb the kind of excessive risk-taking that had caused the global financial crisis.¹²

In 2007, Pfizer, AFSCME and Boston Trust Walden convened meetings with companies to discuss executive compensation and the “Say-on-Pay” option. At the same time, the House Financial Services committee held hearings on the issue, led by Chair Barney Frank and Chris Dodd in the Senate. Tim Smith, representing Boston Trust Walden, testified at these hearings in support of Say-on-Pay, while the Business Roundtable spoke in opposition.¹³

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was drafted in 2009 and the mandate for public company Say-on-Pay was included in the final text. The provision was contentious and opposed by many companies and compensation experts; however, one of the major arguments for its inclusion in the legislation was the fact that investors had been actively seeking such a change through private ordering.¹⁴ On July 21, 2010, President Barack Obama signed the Dodd-Frank Act¹⁵ into federal law.

Despite the imposition of Say-on-Pay vote requirements for public companies, overall levels of executive compensation did not decline. Nevertheless, investors gained a tool to hold board compensation committees accountable for their decisions on executive pay packages, and research highlights the impact the votes had on pay structure to better incentivize long-term performance.¹⁶ For example, proxy advisor Institutional Shareholder Services (ISS) identified bad practices such as tax gross-ups on golden parachutes and recommended voting against all pay packages at companies that had them. As a result, companies eliminated this practice. Today, shareholders typically support the vast majority of Say-on-Pay votes.¹⁷

Say-on-Pay did push companies away from the worst practices and closer to eliminating egregious practices. Where it was less successful was addressing the increasing quantum of pay. Now that executive pay is increasingly viewed as *excessive*, investors have rebelled against exceedingly high pay packages at companies like Oracle (2012-2017),¹⁸ JPMorgan (2022)¹⁹, Microsoft (2025)²⁰, and Tesla (2024 - 2025),²¹ to name recent examples.

ENSURING FAIR COMPENSATION ACROSS THE WORKFORCE

ICCR's work on compensation has also historically supported those working in industries with a legacy of poverty wages. ICCR's first campaign on living wages began in the 1990s. ICCR, the Center for Reflection, Education and Action (CREA), and the Coalition for Justice in the Maquiladoras (CJM) worked together to engage companies and release a study documenting the sweatshop wages U.S. companies paid *maquiladora* workers – those working for manufacturing plants in Mexico with parent company administrative facilities in the United States – and the fact that those workers could not afford to provide the most basic needs for their families.²² The study “... found both that workers are paid low wages and the cost of living is high” explained Dr. Ruth Rosenbaum, Executive Director of CREA. “The study refutes the commonly-stated rationale of officials of U.S.-based companies that workers are paid less in Mexico because the standard of living is lower and products and services are cheaper.”²³

“Long-term investments in the workforce are good for business, helping companies attract and retain talented employees, increase job satisfaction, and improve worker performance. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and racial disparities in the U.S. labor market that can have long-term societal and economic impacts.”

ICCR members filed shareholder proposals calling on U.S. companies to publicly report what they paid their *maquiladora* workers and to close the gap between what they paid and what workers needed. According to ICCR's records, 87 proposals were filed from 1990 to 1999.²⁴

At the start of the COVID-19 pandemic in March 2020, ICCR issued an investor statement calling on companies to protect employees, including by providing paid sick leave and maintaining employment, and importantly, to maintain “financial prudence” by suspending share buybacks and limiting executive and senior management compensation for the duration of the crisis.²⁵ The pandemic did indeed prompt a significant, although temporary, shift in executive pay practices, with companies adjusting compensation structures to better align with the financial challenges, operational uncertainty, and changing stakeholder expectations facing companies.²⁶

ICCR continues to advocate for workers' rights in supply chains and companies' own operations in the U.S. and Canada, following the launch of ICCR's Advancing Worker Justice (AWJ) program in 2022. A [2023 investor statement](#) representing \$4.5 trillion in assets under management and advisement called on U.S. companies to take steps towards the payment of a living wage to direct and contract workers, in line with international human rights standards.²⁷

As part of this engagement, ICCR and its members argue that whether a company pays high wages to attract, retain, and motivate a high productivity workforce is decision-useful information for investors. Wage increases for the lowest earners can also aid in addressing broader systemic risks such as income inequality and gender and racial disparities. Current disclosures of CEO-to-median-employee pay ratios helps investors compare a company's workforce compensation practices against its peers. Employee morale and productivity and perceptions of pay fairness are impacted by employers overall compensation structure. Research indicates that high CEO-to-median-employee pay ratios can hurt employee loyalty and motivation, decreasing the productivity of a company's workforce.²⁸ The impact of high CEO pay on employee productivity results in higher employee turnover and lower job satisfaction.²⁹

This history of engagement illustrates how shareholder advocacy on executive compensation and fair and living wages brought inequality to the forefront of corporate governance, and underscores why investors must now consider excessive executive pay and widening inequality as a potential source of systemic risk.

7 Joseph Evan Calio, “The Securities and Exchange Commission's 1992 Proxy Amendments: Questions of Accountability,” *Pace Law Review* 14, no. 2 (1994): 459–520, <https://digitalcommons.pace.edu/cgi/viewcontent.cgi?article=1385&context=plr>

8 American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), “Executive Paywatch,” accessed March 30, 2026, <https://aflcio.org/paywatch>

- 9 Edward F. Greene, "Binding Shareholder Say-on-Pay Vote in UK," Harvard Law School Forum on Corporate Governance, July 31, 2012, <https://corpgov.law.harvard.edu/2012/07/31/binding-shareholder-say-on-pay-vote-in-uk/>
- 10 Janet Fisher, Arthur Kohn, and Katie Sykes, Say-on-Pay: Less May Be More, Cleary Gottlieb Steen & Hamilton LLP (reprint of *New York Law Journal* article, November 30, 2009), <https://www.clearygottlieb.com/-/media/organize-archive/cgsh/files/publication-pdfs/say-on-pay-less-may-be-more.pdf>
- 11 Aflac Incorporated, "Aflac Adopts Non-Binding 'Say On Pay' Shareholder Vote," press release, February 14, 2007, *Aflac Newsroom*, <https://newsroom.aflac.com/2007-02-14-Aflac-Adopts-Non-Binding-Say-On-Pay-Shareholder-Vote.1> (The board approved a proposal to give shareholders a non-binding advisory vote on executive compensation beginning with the 2009 proxy to include three years of compensation data under new SEC disclosure rules.)
- 12 U.S. Department of the Treasury, "Fact Sheet: Administration's Regulatory Reform Agenda Moves Forward: Say-On-Pay," TG-219, July 16, 2009, archived press release, <https://home.treasury.gov/news/press-releases/tg219>. (This fact sheet outlines the Treasury Department's proposed legislative plan delivered to Congress to require a non-binding annual shareholder vote on executive compensation for public companies.)
- 13 *Empowering Shareholders on Executive Compensation: H.R. 1257*, The Shareholder Vote on Executive Compensation Act: Hearing before the Committee on Financial Services, House of Representatives, 110th Cong., 1st sess., March 8, 2007, Serial No. 110-10. U.S. Government Printing Office, <https://www.govinfo.gov/content/pkg/CHRG-110hhrg35402/pdf/CHRG-110hhrg35402.pdf>
- 14 Fabrizio Ferri and David A. Maber, "Say on Pay Votes and CEO Compensation: Evidence from the U.K.," SSRN Scholarly Paper No. 2142115 (Rochester, NY: Social Science Research Network, 2012), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2142115
- 15 Jesse Lee, "President Obama Signs Wall Street Reform: 'No Easy Task,'" *The White House Blog*, July 21, 2010, <https://obamawhitehouse.archives.gov/blog/2010/07/21/president-obama-signs-wall-street-reform-no-easy-task>
- 16 Matteo Tonello, "The Impact of Say-on-Pay on S&P 500 CEO Pay," *Harvard Law School Forum on Corporate Governance*, November 14, 2024, <https://corpgov.law.harvard.edu/2024/11/14/the-impact-of-say-on-pay-on-sp-500-ceo-pay/>. See also: University at Buffalo School of Management, "Study: A Controversial SEC Rule Did Little to Rein in Excessive CEO Pay," *University at Buffalo News Center*, August 17, 2022, <https://www.buffalo.edu/news/news-releases.host.html/content/shared/mgt/news/study-controversial-sec-rule-did-little-rein-excessive-ceo-pay.detail.html>
- 17 Semler Brossy Consulting Group, "2025 Say on Pay Reports," Volume 5, published January 15, 2026, <https://semlerbrossy.com/insights/2025-say-on-pay-reports/>
- 18 *Financial Times*, quoted in "Oracle Bows to Shareholders by Cutting Larry Ellison's Pay," CNBC, October 5, 2017, <https://www.cnbc.com/2017/10/05/financial-times-oracle-bows-to-shareholders-by-cutting-larry-ellisonas-pay.html>
- 19 "JPMorgan shareholders reject special \$52M payout to CEO Jamie Dimon," *Banking Dive*, May 17, 2022, <https://www.bankingdive.com/news/jpmorgan-shareholders-reject-special-52m-payout-to-ceo-jamie-dimon/623415/>
- 20 "One of Microsoft's Largest Shareholder Votes Against CEO Satya Nadella; Two Things the Fund Opposed," *Times of India*, December 7, 2025, <https://timesofindia.indiatimes.com/technology/tech-news/one-of-microsofts-largest-shareholder-votes-against-ceo-satya-nadella-two-things-the-fund-opposed/articleshow/125812053.cms>
- 21 "Tesla Shareholders Advised to Reject Musk's \$56 Billion Pay," *CNBC*, May 26, 2024, <https://www.cnbc.com/2024/05/26/tesla-shareholders-advised-to-reject-musks-56-billion-pay.html>. (Reporting notes that proxy adviser Glass Lewis urged shareholders to vote against the \$56 billion CEO
- 22 Coalition for Justice in the Maquiladoras et al., "New Study: Mexicans Unable to Live on Sweatshop Wages," *CorpWatch*, June 28, 2001, <https://www.corpwatch.org/article/new-study-mexicans-unable-live-sweatshop-wages>
- 23 Ibid.
- 24 Sister Susan Mika, interview by David Todd and David Weisman, *Texas Legacy: An Oral History Archive About Texas Conservation*, April 17, 2002, transcript, San Antonio, TX, transcribed by Chris Flores and Robin Johnson, <https://texaslegacy.org/transcript/sister-susan-mika/>
- 25 Interfaith Center on Corporate Responsibility (ICCR), *Investor Statement on Coronavirus Response* (New York: ICCR, September 7, 2021), <https://www.iccr.org/wp-content/uploads/2025/01/INVESTOR-STATEMENT-ON-CORONAVIRUS-RESPONSE-09.07.2021.pdf>
- 26 Matteo Tonello, Olivia Voorhis, and Justin Beck, "Russell 3000 Database of Executive Compensation Changes in Response

- to COVID-19," Harvard Law School Forum on Corporate Governance, November 22, 2020, <https://corpgov.law.harvard.edu/2020/11/22/russell-3000-database-of-executive-compensation-changes-in-response-to-covid-19/>
- 27 Interfaith Center on Corporate Responsibility (ICCR), Investor Statement of Support for a Living Wage for U.S. Workers, November 15, 2023, <https://www.iccr.org/reports/investor-statement-of-support-for-a-living-wage-for-u-s-workers/>. (Statement signed by 136 institutional investors representing about \$4.5 trillion in assets under management and advisement, calling on U.S. companies to take steps toward paying a living wage for workers in line with international human rights standards.)
- 28 May Xiaoyan Bao et. al., "A Path Analysis Investigation of the Relationships Between CEO Pay Ratios and Firm Performance Mediated by Employee Satisfaction," *Advances in Accounting*, March 2020, <https://www.sciencedirect.com/science/article/abs/pii/S0882611020300274>
- 29 Matt Bloom and John Michel, "The Relationships Among Organizational Context, Pay Dispersion, and Managerial Turnover," *Academy of Management Journal*, 2002, <https://www.jstor.org/stable/3069283>; James Wade et. al., "Overpaid CEOs and Underpaid Managers: Fairness and Executive Compensation," *Organization Science*, 2006, <https://www.jstor.org/stable/25146058>

ADDRESSING EXECUTIVE COMPENSATION AND INCOME INEQUALITY IN STEWARDSHIP FRAMEWORKS

The impact of massive compensation inequalities is not solely a firm-level governance issue. Evidence increasingly suggests it is linked to broader systemic risks that impact market performance. Several ICCR members and peers demonstrate attention to executive compensation and income inequality as part of their fiduciary duty and have concluded they have a responsibility to become more active in promoting compensation best practices and managing risks posed to their portfolios. These investors point to concerns over financial instability that arises from excessive executive compensation, insufficient worker wages (aka “poverty wages”), and misaligned incentives between managers and shareholders. And considering the systemic nature of these trends, these risks cannot be reduced by portfolio diversification. These investors are pursuing this work by establishing standards and formal commitments.³⁰

EXCESSIVE EXECUTIVE COMPENSATION AND INCOME INEQUALITY ARE SYSTEMS-LEVEL RISKS

Some organizations incorporate this systems-level attention to executive compensation and income inequality in their proxy voting guidelines, while some integrate it into their investment policy statements, and others have created supplemental guidelines that stand alongside investment and proxy voting policies. The examples below are a limited sample of how ICCR members and other investors are addressing executive compensation and income inequality risks from a systems-level investing perspective and are not meant to be a comprehensive survey.

SAMPLE LANGUAGE FROM FIRM’S POLICY STATEMENTS, ENGAGEMENT STANDARDS AND PROXY GUIDELINES



Adasina Social Capital

Adasina addresses concerns over executive compensation and income inequality in its [Social Justice Investment Criteria](#)³¹. Adasina’s attention to economic justice includes a focus on both subminimum wages and excessive executive compensation in its Economic Justice Criteria:

The Economic Justice Criteria aim to create a fair, sustainable, and equitable financial future for all people and communities. We educate investors on the risks posed by economic injustice in the public markets and mobilize investors to discourage companies from participating in economically unjust systems.

These commitments are further established in Adasina’s Proxy Voting Policy and Guidelines³² which restates their Social Justice Investment Criteria and connects these issues to corporate ethics.

Azzad Asset Management

Azzad addresses stewardship concerns over executive compensation in their [Proxy Voting Guidelines](#).³³ These guidelines put a focus on “responsible executive compensation” and link this to long-term financial performance and social goals:

Our proxy voting guidelines focus on the following three issues we believe help enhance long-term financial results while supporting broader social goals. These areas were selected because they align with Azzad’s ethical investment philosophy and long-term shareholder value, reflecting Azzad’s commitment to sustainable and ethical investing:

1. *Promoting human rights and economic development*
2. *Ensuring responsible executive compensation and corporate accountability*
3. *Responding to environmental challenges*

Domini Impact Investments

Domini addresses the systemic risks of income inequality and executive compensation in their [Impact Investment Standards](#).³⁴ Domini states that “our environmental and social standards help us identify strong, long-term investments.” In a section dedicated to “Compensation and Benefits” they state:

Appropriate levels of compensation and benefits are a foundation upon which the relationship between corporate management and the average employee is built. Abuses of this relationship damage not only executives’ credibility with workers, but undermine shareholders’ trust in management and, more broadly, the public’s trust in business itself. Excessive pay gaps can perpetuate income inequality, which in turn can create poverty, societal instability, and systemic risks. By contrast, companies that take steps and align executive compensation to assure gender and racial equity in pay, appropriate commitments to the financial well-being of their retirees, and a management bonus system that rewards implementation of environmental and social policies as well as long-term financial goals, can build their credibility with their stakeholders and align their companies’ reward systems with larger societal goals. We consider how a company handles issues of compensation as a strong indicator—and indeed determinant—of corporate culture and the quality of management.

L&G – Asset Management (L&G)

L&G seeks to have pay aligned with performance and also addresses income inequality as a systemic social factor in their [Executive Remuneration Principles - North America](#).³⁵ These principles go on to state:

L&G believes that companies' management teams should be rewarded for delivering a strategy that is sustainable, profitable and creates value for both its long-term investors and other stakeholders. However, at some companies, the total pay is poorly aligned with performance, coupled with insufficient pay for the bottom quartile of workers.

L&G's principles on executive compensation has been based on pay for performance, however, we view pay inequality as a potential source of risk to our investment portfolios. Therefore, we have created a new policy that aims to link both of these issues. We now vote against the say on pay resolution of any S&P 500 company whose CEO to median employee pay ratio is greater than 300 and the company's total shareholder return relative to the S&P 500 underperformed when measured over a three-year period.

NEI

NEI's [Responsible Investment Policy](#)³⁶ includes a "Statement on inequality" which describes their stewardship philosophy and approach. This document states:

We define inequality as the unequal distribution of opportunity, whether that opportunity is the accumulation of wealth or access to fundamental human requirements such as healthcare, education, and a clean environment. According to the International Monetary Fund, excessive inequality can erode social cohesion, cause political polarization, and ultimately lead to lower economic growth. At the corporate level, inequality can impact employee morale, create legal risks, and negatively impact recruitment and retention. We believe inequality is a significant threat to social cohesion and a systemic risk to our portfolio.

The policy goes on to make a series of commitments to systemically address this issue through engaging companies, voting proxies and "support[ing] investor networks and coalitions that are working to address key inequality issues".

NorthStar

NorthStar has "six pillars" that guide their socially responsible investing work. One of these pillars is "economic equity". Northstar's [Proxy Voting Guidelines \(2025\)](#)³⁷ define how economic inequality impacts the economy using the following language:

NorthStar believes that outsized executive pay and the strategies companies used to fund those pay packages are significant drivers of our country's persistent economic inequality and the financial strain faced by ordinary workers. We also believe that economic inequality is both an ethical and financially material problem for companies to address... Shareholder efforts to hold companies accountable for exorbitant executive pay have evolved since that time. Voting on executive pay is a critical marker of NorthStar's commitment on this issue. In recent years, NorthStar has always had stringent executive pay screens for our proxy voting activities.

Schroders

Schroders has an [Engagement Blueprint](#)³⁸ which establishes its vision and expectation for engaging corporations on the high and low ends of compensation. Executive compensation is addressed in the Blueprint's Corporate Governance standards, which asks corporations to:

Explain how remuneration policies and practices promote the desired culture at all levels of the organisation, including the executives, management and entire workforce.

This Engagement Blueprint addresses minimum wages in its Human Capital Management standards which states:

We encourage companies, where possible, to go beyond compliance with local minimum wages to pay a living wage that allows for workers to live a decent life free from poverty. Companies should consider employee compensation and benefits holistically to ensure the overall financial wellness of the workforce, recognising that basic wage levels are not the sole driver of worker financial wellness. Moreover, approximately 59% of the global workforce will require reskilling or upskilling by 2030 to adapt to evolving job demands driven by technological advancements, demographic shifts, and economic pressures. We therefore aim to engage to ask that companies disclose details of strategic workforce planning, and employees training and development.

United Church Funds (UCF)

UCF addresses systems-level investing as an investment risk, “where business behaviors can negatively impact a healthy and growing economy and adversely affect both corporate and investment long-term performance,” in its UCF Investment Policy Statement (IPS) (available upon request). One of the systems-level risks named in UCF's IPS is poverty wages. As Matthew Illian, Director of Responsible Investing, explains, the policy initially focused on encouraging companies to adopt living wage standards. However, he notes that if the policy were updated today, it would likely adopt a broader framework addressing income inequality more comprehensively across the compensation spectrum. The policy further emphasizes that responsible stewardship and collective investor action can mitigate these systemic risks and contribute to stronger long-term investment outcomes.

University Pension Plan (UPP) Ontario

UPP's [Responsible Investing Policy](#)³⁹ defines its Investment Beliefs, stating, “As a long-term investor, UPP has a responsibility to promote the health of the capital markets and the financial, social and environmental systems upon which capital markets rely.” UPP names inequality as a material issue and developed a specific [Inequality Stewardship Plan](#)⁴⁰ which is described as follows:

As a diversified, long-term investor, UPP's ability to realize adequate investment returns and provide retirement benefits depends on stable and low levels of inequality in opportunities and outcomes across society. We believe that addressing inequality as outlined in this plan reflects our fiduciary duty and is in the best interest of our members as it helps protect their long-term retirement income.

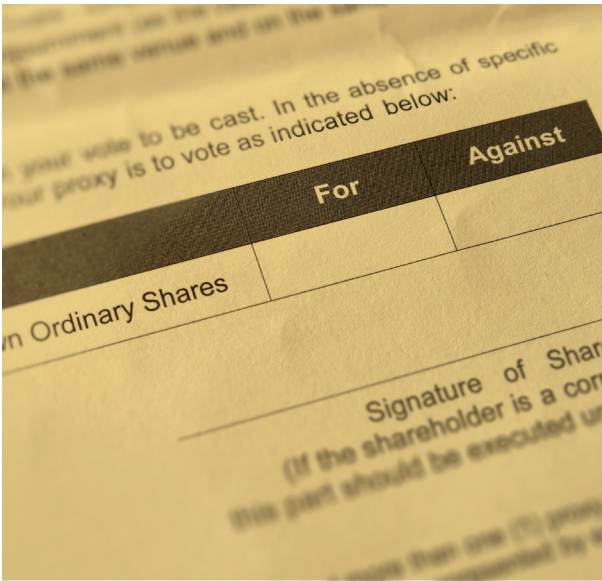
This plan focuses on actions from 2024 to 2027 to support decent work standards within financial markets and among large, influential companies, as well as moderating excessive executive compensation. It prioritizes financial market advocacy to foster awareness about inequality and collaboration to mitigate it.

This plan goes on to list UPP's commitments focused on corporate engagement, proxy voting, policy advocacy and external manager collaboration.

-
- 30 For more detailed discussion of executive compensation as a systemic risk, see reports listed in the Resources section below.
 - 31 Adasina Social Capital, Adasina's Social Justice Investment Criteria, San Francisco, CA <https://adasina.com/adasina-social-justice-investment-criteria/>
 - 32 Adasina Social Capital, *Proxy Voting Policy & Guidelines* (Oakland: Adasina Social Capital, 2024), https://adasina.com/wp-content/uploads/dlm_uploads/2024/07/Proxy-Voting-Policy-and-Guidelines.pdf
 - 33 Azzad Asset Management, "Proxy Voting Guidelines" (Falls Church, VA: Azzad Asset Management), accessed March 8, 2026, <https://azzadasset.com/proxy-voting-guidelines/>
 - 34 Domini Impact Investments, *Impact Investment Standards* (New York: Domini Impact Investments, November 2021), https://domini.com/wp-content/uploads/2022/03/Domini-Impact-Investment-Standards_1121.pdf
 - 35 L&G – Asset Management, *Principles on Executive Pay: North America* (London: Legal & General Investment Management, 2022), https://am.landg.com/asset/4afaec/globalassets/lgim/_document-library/capabilities/north-america-principles-on-executive-pay-lgim.pdf
 - 36 NEI Investments, *Responsible Investment Policy* (Toronto: NEI Investments, March 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-RI-Policy.pdf>
 - 37 NorthStar Asset Management, *Proxy Voting Guidelines* (Boston: NorthStar Asset Management, January 2025), <https://northstarasset.com/wp-content/uploads/2023/08/Jan.-2025-NSAM-Proxy-Voting-Guidelines.pdf>
 - 38 Schroder Investment Management, *Engagement Blueprint: Our Vision for Active Ownership of Listed Assets at Schroders* (London: Schroder Investment Management, January 2026), <https://mybrand.schroders.com/m/eae9fe2e482fc23a/original/Engagement-Blueprint-Listed-Assets.pdf>
 - 39 University Pension Plan Ontario, *Responsible Investing Policy* (Toronto: University Pension Plan Ontario, August 2025), <https://myupp.ca/wp-content/uploads/2023/01/UPP-responsible-investing-policy.pdf>
 - 40 University Pension Plan Ontario, *Inequality Stewardship Plan* (Toronto: University Pension Plan Ontario, September 2024), <https://myupp.ca/wp-content/uploads/2024/09/UPP-Inequality-Stewardship-Plan.pdf>

PROXY VOTING GUIDELINES

Proxy voting guidelines play a central role in how investors implement governance expectations related to executive compensation. While many institutional investors articulate their stewardship commitments in broad terms through Investment Policy Statements (IPs), which outline general principles and beliefs about responsible investment, proxy voting guidelines translate those commitments into specific voting policies. These guidelines establish the criteria investors use when evaluating compensation structures, board oversight, and shareholder proposals. In this way, proxy voting guidelines function as the primary operational tool through which investors exercise governance oversight, enabling them to monitor executive pay, express support or dissent through proxy votes, and engage companies when compensation is misaligned with performance or long-term value creation.



Proxy voting guidelines typically address a broad range of shareholder voting issues beyond compensation, including board structure, shareholder rights, and environmental and social oversight. Compensation is intertwined in one way or another with almost all elements of governance. While this report focuses primarily on the guidelines of investors that share ICCR’s values, the guidelines of public pension funds provide examples of language that explain why executive compensation is a universal issue of concern.⁴¹

This report focuses on guidelines that specifically address issues that have contributed to the upward trajectory of compensation. Where possible, examples of language currently used in ICCR member guidelines is included. This can provide an example for other investors who may have limited time but want to address the issue.

Each section below begins with an explanation of why particular themes were selected. Many other elements of executive compensation can be problematic. For example, many guidelines appropriately flag excessive perquisites as a governance concern. While these benefits are a troubling reflection of inequality and raise questions about oversight, they generally represent a relatively small portion of total compensation and have not been a primary driver of long-term pay escalation. For that reason, this report does not address perquisites in detail. Similarly, policies that align executive and shareholder interests are critical. Most proxy guidelines address stock ownership or stock holding requirements, which require executives to maintain a meaningful level of company stock. These policies are strongly supported, and the most rigorous versions are preferable, however they are not the focus of this report.

Clawback provisions, policies that allow companies to recoup previously awarded compensation in cases of financial restatement or misconduct, represent one of the major governance successes of the past two decades,

and commend those who worked to embed these requirements in regulation and exchange listing standards. Nonetheless, because clawbacks are primarily corrective safeguards rather than drivers of pay growth, they are not discussed in detail below.

The primary focus in this report is on those elements that have contributed most significantly to sustained and sometimes sharp increases in overall pay levels and those that may serve as brakes on the continued increase.

What follows is a brief explanation of why this report highlights these specific issues and how they have been categorized:

SAY-ON-PAY

The Say-on-Pay vote typically happens annually and gives shareholders the opportunity to express or withhold support for the pay of named executive officers, including the CEO. This is an advisory vote, which means that voting results are taken as an expression of investor confidence but do not have any binding power.

Quantum of pay: Although advisory Say-on-Pay votes have curbed certain problematic compensation practices, they have not meaningfully restrained overall pay levels (“quantum”), prompting some ICCR members to advocate for clear quantitative thresholds.

Peer groups: The overuse of peer groups to benchmark pay has been a key element in the cycle of ratcheting pay.

Compensation design and metrics: This section addresses how pay is structured and how performance is measured, particularly using the prism of how these elements contribute to increasing pay. This is also where particular items of pay are discussed.

One-time awards: Awards given to new hires as well as special “retention” awards deserve extra attention not just on quantum concerns, but because they also may ultimately increase pay at peer groups.

COMPENSATION COMMITTEE

In some cases, investors will vote against the reelection of directors who sit on the Compensation Committee as a way to express escalated dissatisfaction with decisions being made around compensation.

EQUITY PLANS

Equity compensation plans authorize companies to grant stock awards or stock options to executives and employees and have been subject to approval for a much longer period of time than advisory votes. These plans are subject to shareholder approval as required by applicable stock exchange listing requirements.

41 The guidelines of the Florida State Board of Administration explain, “Ultimately, it is the shareowners that bear the cost of these plans, and as average compensation packages have climbed steadily in value in recent years, shareowners have concern over the level of pay, the lack of disclosure, the role of compensation advisers, and the loyalty of board members to shareowners’ interests over those of management. Voting against plans with exorbitant pay or poor design is an important shareowner duty, and engagement with companies on their plans and features is a meaningful way for shareowners to protect value and contribute to oversight of their agents.”

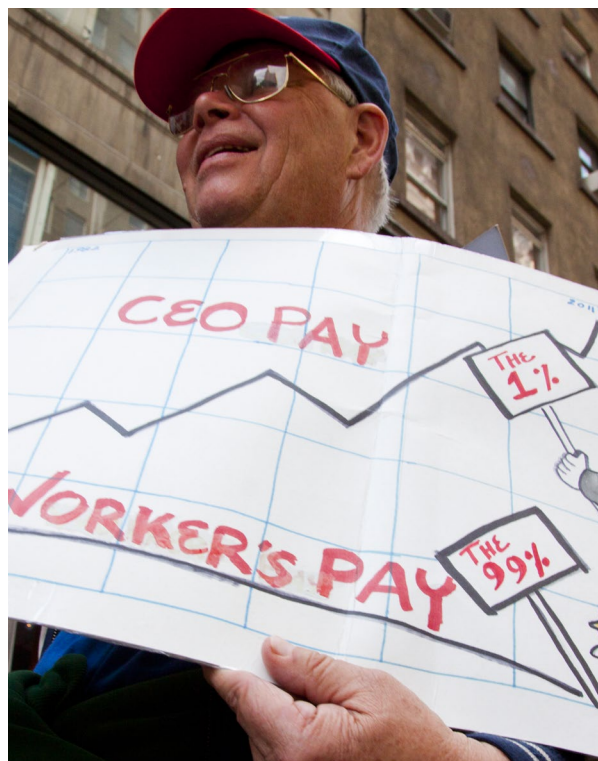
SAY-ON-PAY

GUIDELINES RELATED TO QUANTUM OF PAY OR PAY MULTIPLE

A primary driver of this report is ICCR’s consistent concern with the overall scale, or quantum, of executive compensation. Over recent decades, executive compensation has risen much faster than stock prices and far more rapidly than pay for the average employee. Establishing rational thresholds by updating proxy voting policies to include explicit thresholds or absolute pay is a powerful choice that concerned investors can take.⁴² It also has the advantage of being concrete and reasonably easy to consistently implement once the decision has been made.

As noted in prior sections, high pay levels contribute to inequality that is fundamentally problematic, harms employee morale, and signals governance structures that prioritize executives over workers or communities.

This review of investors’ guidelines begins by considering language that some ICCR members and peers have adopted that creates a quantitative cutoff which automatically triggers a vote against compensation. These limits can be created using various yardsticks: comparing CEO-to-median-worker pay ratios disclosed in proxy statements, comparisons to national household income levels, fixed dollar caps, or some combination. Each method has strengths and weaknesses, and as discussed below they can be used separately or together.



VOTE AGAINST COMPENSATION PACKAGES DEEMED EXCESSIVE BASED ON CEO-TO-MEDIAN-WORKER PAY RATIO AS DISCLOSED IN THE PROXY STATEMENT

- **NorthStar’s** guidelines say it votes against pay packages “unless named executive officer pay (including equity, stock options, bonuses, and benefits packages) to median employee pay is a ratio less than 100:1 (CEO Ratio)”. **Northstar’s** guidelines are also notable for their discussion of shareholder proposals on the topic and are extensive and detailed: “Vote FOR proposals to prepare reports seeking to compare the wages of a company’s lowest paid worker to the highest paid employee. Generally vote FOR proposals that seek to establish a fixed ratio between the company’s highest paid workers and the lowest paid or ‘median pay’ workers.”⁴³
- **Adasina Social Capital** votes against in cases where the ratio is more than 100:1.⁴⁴
- **As You Sow** votes against remuneration proposals when a company has “a CEO-to-median-employee ratio higher than 100:1” and the company hasn’t provided justification for its ratio.⁴⁵
- **Trillium** votes against when the company’s CEO-to-median-worker pay ratio exceeds 50:1. When CEO

to worker pay ratio is not disclosed, Trillium votes against CEO pay that exceeds 50 times the median household income for that country.⁴⁶

- **Marin County, CA pension Fund** notes in its guidelines “MCERA believes that executive pay proposals in which CEO compensation is 100 times greater than the median compensation of other company employees are excessive and detrimental to the long-term performance of the company.”⁴⁷

There are a few limitations with using the proxy-disclosed data by itself. Most significantly, the U.S. is currently the only market requiring this disclosure, so if funds wish to take a stance on the issue in other markets, they must find alternatives, such as government statistics on broader population measures of income. Companies also have significant discretion in how they calculate median employee pay, including the extent to which part-time workers, international employees, or partial-year employment are included. In addition, there is a great deal of variability by sector within a market. Because of this, there are funds that prefer to focus on market-defined analysis of excess. Even in those cases, proxy-disclosed pay ratio may be used as an additional measure.

VOTE AGAINST COMPENSATION PACKAGES DEEMED EXCESSIVE COMPARED TO BROAD POPULATION MEASURES OF INCOME

- **SHARE’s** 2024 Guidelines define quantum as the total amount of executive compensation, and they use several benchmarks to evaluate quantum, including specific pay ratios against national averages and internal worker pay. Specifically, the guidelines use the average annual pay of all workers in the country of incorporation (specifically for Canada, the U.S., and the UK) as a primary benchmark for total compensation, and when the total annual compensation for a single executive exceeds **150 times** the average annual pay of workers in that country, it is considered a cause for concern and triggers “special scrutiny”. If the total compensation for any named executive exceeds **200 times** the national average annual wage, the guidelines recommend voting against the executive compensation.⁴⁸
- **The University Pension Plan (UPP)** also considers the country of incorporation in its analysis. In the U.S. and Canada, and elsewhere on a case-by-case basis, UPP does not support executive compensation if the total compensation of any individual executive is greater than **200 times** median pretax household income in the country of incorporation, unless a compelling justification is provided as to how the compensation awarded is in the long-term best interest of the company and appropriate in the context of the experience of all stakeholders involved in value creation for the company.⁴⁹
- **NEI** makes use of both the pay ratio and the respective median household income in a given market. “The quantum of CEO or other individual NEO compensation at a Canadian or U.S. company is excessive relative to the respective median household income (more than **120 times** at Canadian companies and more than **280 times** at U.S. companies). Evidence of equitable compensation practices within the company, such as the use of vertical comparison metrics in setting compensation, will be considered as a mitigating factor.” NEI sets the quantum range of concern based on currently available data: For U.S. companies: **280 to 375 times**. U.S. median household income was approximately U.S. \$22.6 million to \$30.2 million. For Canadian companies: 120 to 190 times. Canadian median household income was approximately C\$12.2 to C\$19.3 million.⁵⁰ And if executive pay is “extremely” excessive, that will also trigger a vote against the compensation committee members on top of voting against the say on pay. NEI defines extremely excessive pay as pay that is above **375 times** the median household income in the U.S. and above **190 times** the median household income in Canada.

ADDITIONAL CONSIDERATIONS RELATED TO QUANTUM

- **SHARE** considers employee morale as a factor. The 2024 guidelines state, “Although there is no single, optimal ratio of executives’ pay to workers’ pay, it is not in the best interests of any company for the gap between executive and employee compensation to be large enough to affect the company’s morale or long-term performance, or to damage its reputation.”⁵¹
- French asset manager **Groupe des Assurances Mutuelles Agricoles (Groupama)** notes, “the evolution of this ratio must be consistent with the evolution of performance. An unjustified increase of this ratio is likely to motivate a negative vote on a proposal to increase the fixed compensation of executives.” Groupama AM’s **2021 voting policy** notes that a vote on compensation has been required in France, since 2020, having previously been adopted in the UK and U.S. One of the fundamental principles in executive compensation they adhere to is, “Any increase in the fixed part of the compensation must be explained and linked to the evolution of the pay ratio.”⁵²

With multiple years of data available given required corporate disclosure, investors are now able to track changes to both executive and employee compensation over time. This is information that proxy advisory firms should be able to easily provide if asked.

ABSOLUTE DOLLAR CAPS

Another approach is to set an upper threshold on pay with an absolute dollar cap. This method is favored by some investors because it is straightforward to apply. A clear cap also provides a simple, values-aligned standard that avoids continual upward ratcheting through peer benchmarking and reinforces expectations about proportionality and accountability. The figure of \$10 million is most broadly used by members of ICCR.

- For example, **Domini**,⁵³ **Friends Fiduciary**,⁵⁴ and **Everence**⁵⁵ vote against advisory Say-on-Pay proposals where total CEO compensation exceeds \$10 million.

42 See also: State Board of Administration of Florida. *Corporate Governance Principles and Proxy Voting Guidelines: Fiscal Year 2023–2024* (Tallahassee, FL: State Board of Administration of Florida, 2023), <https://www.sbafla.com/media/4hefjtn5/sba-corporate-governance-principles-and-proxy-voting-guidelines-fy2023-2024.pdf>

43 NorthStar Asset Management, *Proxy Voting Guidelines* (Boston: NorthStar Asset Management, January 2025), <https://northstarasset.com/wp-content/uploads/2023/08/Jan.-2025-NSAM-Proxy-Voting-Guidelines.pdf>

44 Adasina Social Capital, *Proxy Voting Policy & Guidelines* (Oakland: Adasina Social Capital, 2024), https://adasina.com/wp-content/uploads/dlm_uploads/2024/07/Proxy-Voting-Policy-and-Guidelines.pdf

45 As You Sow, *As You Vote 2025: Proxy Voting Guidelines 2025* (Berkeley, CA: As You Sow, 2025), https://static1.squarespace.com/static/59a706d4f5e2319b70240ef9/t/697a38e1daad8219cc7d66d6/1769617633441/AsYouVote2025_ProxyVotingGuidelines2025_final.pdf

46 Trillium Asset Management, *2025 Proxy Voting Guidelines* (Boston: Trillium Asset Management, 2025), <https://www.trilliuminvest.com/downloads/proxy-voting-guidelines>

47 Marin County Employees’ Retirement Association (MCERA), *Proxy Voting and Corporate Governance Policy* (San Rafael, CA: Marin County Employees’ Retirement Association, 2024), https://assets.marincounty.gov/mcera-prod/public/2024-08/proxy_corp_governance.pdf

SAY-ON-PAY

- 48 As You Sow, *As You Vote 2025: Proxy Voting Guidelines 2025* (Berkeley, CA: As You Sow, 2025), https://static1.squarespace.com/static/59a706d4f5e2319b70240ef9/t/697a38e1daad8219cc7d66d6/1769617633441/AsYouVote2025_ProxyVotingGuidelines2025_final.pdf
- 49 University Pension Plan Ontario (UPP), *Proxy Voting Policy* (Toronto: University Pension Plan Ontario, 2023), <https://myupp.ca/wp-content/uploads/2023/01/UPP-proxy-voting-policy.pdf>
- 50 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>
- 51 Shareholder Association for Research and Education (SHARE), *Proxy Voting Guidelines 2024* (Vancouver: SHARE, 2024), <https://share.ca/wp-content/uploads/2024/05/Proxy-Voting-Guidelines-2024-ENG-v2.pdf>
- 52 Groupama Asset Management, *Voting Policy 2021* (Paris: Groupama Asset Management, 2021), <https://www.groupama.com/app/uploads/2021/08/Voting-policy2021.pdf>
- 53 Domini Impact Investments LLC, *Proxy Voting Guidelines* (New York: Domini Impact Investments, November 30, 2025), <https://domini.com/wp-content/uploads/2025/11/Proxy-Voting-Guidelines-11302025.pdf>
- 54 Friends Fiduciary Corporation, *ISS Proxy Voting Guidelines* (Philadelphia: Friends Fiduciary Corporation, January 27, 2025), <https://friendsfiduciary.org/wp-content/uploads/FFC-ISS-Proxy-Voting-Guidelines-2025-1.27.25-FINAL.pdf>
- 55 Everence Financial, *U.S. and International Proxy Voting Guidelines* (Goshen, IN: Everence Financial, 2025), <https://docs.everence.com/SDocLink/2f7533e8-c661-4ab5-9775-e39bela0d9cb>

PEER COMPARISON

COMPARE PAY TO OUTLIERS

Comparing an executive’s pay to pay at peer companies is another way to address the issue of quantum. As discussed below, comparisons to peers have tended to inflate pay, particularly salaries. Shareholders now have the opportunity to push the other way. Three examples of funds using such a comparison include:

- **Adasina Social Capital** votes against CEO pay when it is greater than the 75th percentile of peers.⁵⁶
- **As You Sow** votes against the management remuneration proposal and compensation committee members if CEO pay exceeds 75% of the peer group.⁵⁷
- **NEI** uses peer comparison in addition to wage comparison, voting against the incumbent members of the compensation committee on top of voting against the say-on-pay when “The quantum of CEO compensation is notably excessive relative to peer companies (at 2 times the peers).”⁵⁸ Anything between “1.5-2x the peers” would lead to vote against the say-on-pay only.

By setting the threshold at the 75th percentile, Adasina’s and As You Sow’s policies create some downward pressure. As discussed below, even the pay set at the 100th percentile of peers will gradually ratchet up because increases in fixed pay given at any company for any reason (promotion, new hire) become part of the average.

Any policy that focuses on peers is particularly useful when the portfolio includes companies of a range of sizes.

HUFFPOST

Starbucks CEO Tops List Of Sky-High Executive Pay Packages

A New Measure Shows C.E.O. Pay at Even More Astronomical Levels

With new executive pay disclosures, the big picture is still riches at the top and lagging wages for most of the rank-and-file, our columnist says.

Musk’s \$1 trillion pay package renews focus on soaring CEO compensation

PUBLISHED SAT, JAN 24 2026 7:00 AM EST

Sky-high CEO pay is in focus as workers everywhere are demanding higher wages

UPDATED SEPTEMBER 14, 2023 - 9:50 AM ET ©

At troubled UnitedHealth Group, a highly unusual pay package—potentially worth \$60 million to its boomerang CEO—heads to a June vote

When CEOs Are Paid for Bad Performance

Does excessive pay for less-skilled CEOs signal a breakdown in corporate governance?

Tlaib, Sanders Introduce Bill to End Outrageous CEO Pay and Combat Corporate Greed

LIMIT PEER GROUP BIAS IN PAY INFLATION

Asymmetric peer benchmarking has played a role in the way CEO pay escalated so rapidly, beginning in 1992 when the SEC required new compensation disclosures. While some companies selected their own peers based on industry, market capitalization or revenue, many companies – and compensation consultants – often selected peers on more qualitative grounds. When some small companies were asked why they selected much larger companies for their peer groups some contended that those peers were aspirational. Beginning in 2012, ISS began constructing peer groups of 14-24 companies using the Global Industry Classification Standard and some other measures.⁵⁹

Even with appropriate peer selection, annual benchmarking reinforces the upward cycle because each year’s pay decisions reset the “market” baseline. A large increase for promotion or new hire becomes part of the peer data used the following year. When multiple companies incorporate these elevated figures into their benchmarks, isolated increases compound into a broader upward drift in compensation levels, even absent comparable changes in underlying performance or labor markets. This was particularly evident when many companies aimed their comparison above the median or even at the 75th percentile of peers.⁶⁰

Today, the effects of peer benchmarking push compensation up primarily in terms of salary. This inflates entire pay packages, since bonuses are based on multiples of salaries.

Large shareholders’ objections and resulting changes in proxy advisory firm analysis related to appropriate peers have helped slow the rate of increase, but significant excess remains embedded in the system. Most guidelines that address benchmarking call for clear disclosure of which peers are selected and why.

- **Schroders** shared that it encourages companies to avoid overly curated comparator groups, and to select sector or wider index groups. In addition, it generally discourages fixed or variable pay increases that are driven solely by benchmarking.
- **L&G – Asset Management (L&G)** states, “Peer groups should be selected carefully and be linked to the area of business in which the company operates – or a wider benchmark that is logical. We would expect the committee to explain any benchmark being used.”⁶¹

56 Adasina Social Capital, *Proxy Voting Policy & Guidelines* (Oakland, CA: Adasina Social Capital, 2024), https://adasina.com/wp-content/uploads/dlm_uploads/2024/07/Proxy-Voting-Policy-and-Guidelines.pdf

57 As You Sow, *As You Vote 2025: Proxy Voting Guidelines 2025* (Berkeley, CA: As You Sow, 2025), https://static1.squarespace.com/static/59a706d4f5e2319b70240ef9/t/697a38e1daad8219cc7d66d6/1769617633441/AsYouVote2025_ProxyVotingGuidelines2025_final.pdf

58 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>

59 Andrew S. Levine, “ISS Updates Proxy Voting Guidelines for 2012,” *The National Law Review*, January 13, 2012, <https://natlawreview.com/article/iss-updates-proxy-voting-guidelines-2012-0>

60 Charles M. Elson and Craig K. Ferrere, *Executive Superstars, Peer Groups, and Overcompensation: Cause, Effect and Solution* (Newark, DE: University of Delaware, 2013), <https://bpb-us-w2.wpmucdn.com/sites.udel.edu/dist/8/12944/files/2022/10/Executive-Superstars-Peer-Groups-and-Overcompensation-Cause-Effect-and-Solution-2.pdf>

61 L&G – Asset Management (L&G), *Principles on Executive Pay: North America* (London: L&G – Asset Management (L&G), 2022), 4, https://am.landg.com/asset/4afaec/globalassets/lgim/_document-library/capabilities/north-america-principles-on-executive-pay-lgim.pdf

COMPENSATION DESIGN & INCENTIVE METRICS

This section addresses how pay is structured and how performance is measured, particularly using the prism of how these elements contribute to increasing pay. Executive compensation refers to the total pay package provided to the senior executive officers, primarily those disclosed in the Summary Compensation Table of the proxy statement, including the CEO. Compensation typically includes several components: base salary (fixed cash pay), annual bonuses (short-term incentives tied to yearly performance), long-term incentives (often stock awards or stock options that vest over multiple years), retirement benefits, and perquisites (“perks”) such as personal use of corporate aircraft.

Compensation design refers to the balance between salary, annual bonuses, and long-term equity awards, as well as the time horizons over which performance is assessed. Metrics are the specific financial or operational goals used to determine payouts, such as earnings per share, total shareholder return, revenue growth, or return on capital. The choice of metrics and performance targets can significantly influence both pay magnitude and corporate behavior. We pay special attention here to ways these can be abused.

Investors broadly agree that incentive structures genuinely promote durable value creation, appropriate capital allocation, and responsible risk management.

INCENTIVE DESIGN – PAY FOR PERFORMANCE

Few phrases appear as consistently in proxy voting guidelines as “pay for performance”. The phrase was first popularized by union pension fund shareholders that filed proposals⁶² on the topic responding to bonuses paid during periods of poor company results, suggesting that the bonuses were not justified. Some shareholders identified these as “pay for failure”. Most institutional investors consider “pay-performance” alignment essential to long-term shareholder value. Persistent misalignment can signal weaknesses in governance, incentive design, and board oversight.

NEI’s guidelines⁶³ provide an excellent articulation of several common expectations:

- Bonuses should not be paid when company or individual performance has been poor;
- Short-term incentive awards should be entirely performance-based;
- At least two-thirds of short-term awards should rely on quantitative metrics;
- Long-term awards should be predominantly performance-based (preferably at least two-thirds);
- Compensation committees should avoid broad or unexplained discretion;
- Performance frameworks and formulas should be clearly disclosed;
- If performance goals are lowered mid-cycle, payouts should be adjusted downward accordingly;
- Discretion, when used, should be limited and fully disclosed.

The emphasis is not merely on having performance metrics, but on ensuring rigor, transparency, and limited discretionary override.

RIGOR AROUND GOALS AND METRIC INTEGRITY

After seeing many years of executives rewarded for performance that does not appear to align closely with fundamental issues, shareholders increasingly focus on the metrics themselves. Beyond alignment in principle, many investors now emphasize the integrity and rigor of the metrics in both short- and long-term plans. The question is no longer simply whether pay is performance-based, but whether performance goals are sufficiently challenging, transparent, and resistant to manipulation.

In addition to rigor, key considerations include:

- Use of multiple, clearly articulated performance metrics for long-term awards;
- Avoidance of single-metric structures that increase risk of misalignment;
- Transparent reconciliation between GAAP (Generally Accepted Accounting Principles) results and adjusted or non-GAAP metrics;
- Prevention of financial engineering that inflates reported results without improving underlying performance.

For example:

- Some investors prefer inclusion of relative Total Shareholder Return (TSR) metrics. The commonly used metric of TSR measures the sum of what a stock has returned over a period of time. Executives can receive large sums based on market or industry fluctuations. Relative shareholder return compares the performance of a company stock to its peers or index, often expecting at least median (50th percentile) peer performance before threshold vesting occurs.
- **SHARE** expresses opposition to per-share metrics (e.g., EPS) when companies engage in significant share repurchases, noting that buybacks may artificially inflate such measures, and also cautions against simple stock price targets that may reflect market momentum rather than operational performance.⁶⁴

Concerns about adjusted earnings have also been highlighted in academic and policy research, including analysis from the Brookings Institution, noting that exclusion of recurring costs, such as restructuring charges or equity compensation expense can materially inflate incentive outcomes.⁶⁵

These critiques reflect a broader concern that compensation metrics may reward financial optics rather than durable economic value creation.

PERFORMANCE MEASUREMENT PERIODS

In addition, investors scrutinize the length of performance and vesting periods. The long-term systemic perspective of ICCR members supports longer periods of performance measurement as well as strict holding requirements.

- **L&G – Asset Management (L&G)** expects performance periods of at least three years, supported by multiple metrics.
- **UBS Asset Management** has flagged concern when long-term equity awards vest in under five years.⁶⁶

Short vesting periods are frequently viewed as weakening long-term alignment and increasing sensitivity to short-term market movements.

ESG METRICS

For many faith-based and long-horizon investors, the question is not simply whether executives are rewarded for performance, but whether the definition of performance itself reflects sustainable prosperity, fair distribution of value, and stewardship of human and environmental capital.

Some companies have developed a corporate strategy to address their material sustainability risks, and thus it only makes sense to reflect that in their executive compensation. A growing subset of investors explicitly call for the integration of environmental and social performance measures into executive incentive frameworks.

- **SHARE** explicitly recommends “linking executive pay to well-considered social and environmental performance measures, such as customer satisfaction and employee health and safety.”⁶⁷
- New guidelines published by proxy advisor **GIR**, a proxy advisor part-owned by SHARE, add another element: *Increasing executive compensation or paying bonuses during layoffs is contrary to the principle of performance-based compensation. In the event of restructuring resulting in layoffs, any increase or benefit granted to executives is considered unjustified.*

VOTE FOR proposals to prohibit increases in executive compensation during layoffs, including wage freezes, limits on performance-related bonuses, and the cancellation of bonuses.

*VOTE AGAINST any compensation that includes increases or bonuses for executives during a period of layoffs.*⁶⁸

- **Trillium Asset Management** votes against compensation where incentives are not tied to science-based climate targets and diversity-related targets.

ANNUAL BONUS DESIGN

Annual bonus levels have risen for several reasons, but a key driver is the increasing use of higher salary-based multiples to set bonus targets. Because base salaries themselves are continually ratcheted upward through peer group benchmarking, these higher multiples compound over time, further inflating the bonus payouts/amounts.

- **SHARE** states annual bonuses should not exceed two times base salary, and opposes guaranteed multi-year bonuses.

Such caps are intended to prevent excessive upside leverage disconnected from sustained performance.

PROBLEMATIC PAY PRACTICES

Almost all voting guidelines identify specific practices that may trigger opposition. In guidelines, the strength of language varies: “will vote against” is materially stronger than “generally vote against”, which in turn is stronger than “may vote against”. Investors should pay close attention to these distinctions. In many cases, proxy advisory firms catch the worst offenders, and to some extent investors can rely on them to flag egregious practices.

COMPENSATION DESIGN & INCENTIVE METRICS

A long list of egregious practices that may lead to a vote against compensation appears in many guidelines. In general an itemized list is practical, particularly when investors are unlikely to have capacity to evaluate each of those issues.

Here are some examples of items listed in guidelines that are problematic practices.

- Excessive discretionary adjustments;
- Guaranteed annual bonuses;
- Backdating of options;
- Excessive perquisites;
- Overly generous employment or severance agreements;
- Incentive structures that reward short-term financial engineering over long-term investment;
- Option repricing without shareholder approval;
- The board exhibits a significant level of poor communication and unresponsiveness to shareholders.

We note that some items (such as option repricing) tend to remain in guidelines even as the practice becomes quite rare. The practices currently being developed by compensation consultants are likely the most concerning. In general, it seems that an idea that ultimately increases the executives' rewards tends to be quickly adopted by other companies. It is for this reason that most guidelines include a broad catch-all category in their bulleted lists to capture evolving compensation practices.

-
- 62 See the appendix listed in this source that includes resolved clauses of historical compensation-related proposals from 1997-2007. There are several that address bonuses: Yonca Ertimur, Fabrizio Ferri, and Volkan Muslu, *Shareholder Activism and CEO Pay* (Durham, NC: Duke University, 2006), <http://pbfea2005.rutgers.edu/20thFEA/AccountingPapers/Session5/Ertimur,%20Ferri,%20and%20Muslu.pdf>.
- 63 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>
- 64 Shareholder Association for Research and Education (SHARE), *Proxy Voting Guidelines 2024* (Vancouver: SHARE, 2024), <https://share.ca/wp-content/uploads/2024/05/Proxy-Voting-Guidelines-2024-ENG-v2.pdf>
- 65 Robert C. Pozen and S. P. Kothari, *Decoding CEO Pay* (Washington, DC: Brookings Institution, 2017), <https://www.brookings.edu/articles/decoding-ceo-pay/>
- 66 Matthew Illian, *Say-on-Pay 2025 Proxy Voting Review of Large Asset Managers* (Washington, DC: United Church Funds, 2026), <https://corpgov.law.harvard.edu/2026/01/22/say-on-pay-2025-proxy-voting-review-of-large-asset-managers/>
- 67 Shareholder Association for Research and Education (SHARE), *Proxy Voting Guidelines 2024* (Vancouver: SHARE, 2024), <https://share.ca/wp-content/uploads/2024/05/Proxy-Voting-Guidelines-2024-ENG-v2.pdf>
- 68 In 2026, GIR's Mosaic guidelines replaced the 2024 SHARE guidelines cited above. Groupe Investissement Responsable (GIR), Politique Mosaic (Montréal: Groupe Investissement Responsable, 2026), <https://www.gir-canada.com/en/politique-mosaic>

EVALUATIONS OF ONE-TIME AWARDS

The two times an executive is mostly likely to gain a windfall are when they join a company and when they depart it. While this report mentions severance agreements, they are less inflationary factors precisely because they happen upon departure. Newly-hired executive awards are particularly likely to materially increase overall compensation levels, especially where replacement awards are granted to offset forfeited equity from a prior employer (if the executive had equity plans at their prior employer that will now never vest). Retention awards can be similarly concerning. Individual companies often attempt to explain company-specific justifications for out-sized awards or sharp salary increases, yet totals still can be included in peer analysis by many companies the following year.



Guidelines frequently emphasize that such awards should not undermine pay-performance alignment or create conflicts of interest.

- **SHARE's** 2024 Proxy Voting Guidelines outline specific considerations for one-time executive awards, emphasizing that such awards should be reasonable, aligned with performance, and not structured in a way that weakens accountability. SHARE cautions that one-time awards should not create conflicts of interest or dilute the link between pay and long-term value creation.⁶⁹
- **Castlefield** notes “lack of performance conditions attached to forfeited awards payments will result in an instant vote against.”⁷⁰

Castlefield's guidelines states: “We expect the performance conditions to consist of a variety of differentiated targets, with a preference for the inclusion of an ESG metric. Any targets must be sufficiently stretching, measurable and relevant. The likelihood of the award from the previous employer fully vesting must be assessed by the company. The proceeds of the payment should vest over at least a three year period and should be a combination of share based and cash awards. The share based awards will help directors to reach their shareholding requirement quicker and better align personal goals with shareholders.”⁷¹

CHANGE-IN-CONTROL AGREEMENTS (GOLDEN PARACHUTES)

A golden parachute is a lucrative contract or agreement between a company and its top executives, guaranteeing significant benefits, such as large severance packages, bonuses, or accelerated stock vesting, generally if the executive is terminated, usually due to a merger, acquisition, or hostile takeover. Following Dodd-Frank there is now a separate vote on golden parachutes when there is a merger. However, these are not binding.

EVALUATIONS OF ONE-TIME AWARDS

Guidelines also address executive severance arrangements triggered by a change in control. These arrangements are frequently evaluated under both dedicated “golden parachute” votes and advisory votes on executive compensation.

Many investors articulate expectations regarding payout caps as well as triggering mechanisms.

- **SHARE** opposes plans where change-in-control payouts exceed two times the executive’s annual salary and bonus, and also suggests that severance should not be paid if the executive’s or the company’s performance has been unsatisfactory.⁷²
- **NEI** indicates it will vote against severance arrangements where the quantum is excessive.⁷³
- **Domini’s** guidelines state that an acceptable parachute should:
 - » Be triggered by events beyond management’s control;
 - » Not exceed 2.8 times the executive’s “base amount” (defined as average annual W-2 compensation during the two preceding years);
 - » Be double-triggered (requiring both a change in control and termination).⁷⁴
- **Everence** provides a broader evaluative framework, including consideration of:
 - » The presence of excessive entitlements or single-trigger provisions;
 - » Excise tax gross-ups;
 - » Existing limits or shareholder ratification requirements;
 - » Recent severance-related controversies.⁷⁵

Some investors also note that severance practices may factor into advisory votes on executive compensation more broadly. **NEI** states it will generally vote against Say-on-Pay where:

- Severance is not contingent upon a change in control;
- The quantum is excessive.⁷⁶

69 2024 SHAREguidelines Shareholder Association for Research and Education (SHARE), *Proxy Voting Guidelines 2024* (Vancouver: SHARE, 2024), <https://share.ca/wp-content/uploads/2024/05/Proxy-Voting-Guidelines-2024-ENG-v2.pdf>

70 Castlefield Investment Partners, *Corporate Governance and Voting Guidelines* (Manchester: Castlefield Investment Partners, 2024), <https://www.castlefield.com/media/r1zhwj3r/corporate-governance-voting-guidelines.pdf>

71 Ibid.

72 Shareholder Association for Research and Education (SHARE), *Proxy Voting Guidelines 2024* (Vancouver, BC: SHARE, 2024), <https://share.ca/wp-content/uploads/2024/05/Proxy-Voting-Guidelines-2024-ENG-v2.pdf>

73 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>

74 Domini Impact Investments LLC, *Proxy Voting Guidelines* (New York, NY: Domini Impact Investments LLC, 2025), <https://domini.com/wp-content/uploads/2025/11/Proxy-Voting-Guidelines-11302025.pdf>

75 Praxis Investment Management, *Proxy Voting* (Goshen, IN: Praxis Investment Management, n.d.), <https://www.praxisinvests.com/impact/proxy-voting>

76 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, April 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>

GUIDELINES THAT ADDRESS THE COMPENSATION COMMITTEE

Prior to the introduction of mandatory advisory Say-on-Pay votes, one of the primary mechanisms available to shareholders to express concerns about excessive executive compensation (EEC) was to vote against members of the compensation committee. Today, a vote against committee members may be automatically coupled with a vote against the advisory proposal, or may be used as an escalation tool if pay concerns remain unresolved.

A strong, fully independent compensation committee is fundamental to effective governance. While this report does not address board composition in great detail, it is important to recognize that a poorly governed board could contribute to excess pay.

Under certain circumstances, investors may vote against the Compensation Committee when opposing pay:

- The [University Pension Plan](#) guidelines note, “Do not support re-election of members of the committee responsible for executive compensation (or, where no such committee has been identified, the board chair or full board) if executive compensation consistently exceeds 200 times median pre-tax household income.”⁷⁷
- [NEI](#) indicates that, in addition to voting against the advisory vote on executive compensation, it will withhold votes from incumbent members of the Compensation Committee where the quantum of CEO compensation is notably excessive (e.g. relative to peers at roughly twice peer levels; or relative to the median household income in the U.S. and Canada respectively at more than 375 times and 190 times).⁷⁸
- [Trillium](#) also explicitly recognizes director votes as a form of escalation when pay concerns are not adequately addressed.⁷⁹

ESCALATION/EVALUATION BASED ON SAY-ON-PAY RESULTS

For investors considering escalation from a vote against Say-on-Pay to a vote against Compensation Committee members, low support levels on Say-on-Pay coupled with inadequate response often serves as a trigger for further review.

Several investors (e.g., [Trillium](#), [Domini](#)) identify approximately 70 percent support as a threshold warranting closer examination.

When such a review is triggered, investors generally focus on:

- The company’s responsiveness to shareholder concerns;
- The quality and specificity of disclosure regarding shareholder engagement;
- Concrete actions taken to address previously identified compensation issues.

[Friends Fiduciary](#) summarizes this approach as follows: “The board fails to respond adequately to a previous SOP proposal that received less than 70 percent support of votes cast.”⁸⁰

GUIDELINES THAT ADDRESS THE COMPENSATION COMMITTEE

- 77 University Pension Plan Ontario (UPP), *Proxy Voting Policy* (Toronto: University Pension Plan Ontario, 2023), <https://myupp.ca/wp-content/uploads/2023/01/UPP-proxy-voting-policy.pdf>
- 78 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, April 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>
- 79 Trillium Asset Management, LLC, *Proxy Voting Guidelines* (Boston: Trillium Asset Management, LLC, 2025), <https://www.trilliuminvest.com/downloads/proxy-voting-guidelines>
- 80 Friends Fiduciary Corporation (FFC), *Proxy Voting Guidelines 2025* (Philadelphia: Friends Fiduciary Corporation, January 27, 2025), <https://friendsfiduciary.org/wp-content/uploads/FFC-ISS-Proxy-Voting-Guidelines-2025-1.27.25-FINAL.pdf>

EQUITY AWARDS

Before shareholders were able to vote on executive pay broadly, shareholders only had an opportunity to vote on equity compensation plans. Voting on these plans continues to be an important fiduciary duty. While equity compensation plans may cover a broad section of employees, the vast majority of shares are awarded to top executives.

- **Everence** guidelines explain what is at stake: “As executive pay levels continue to soar, non-salary compensation remains one of the most sensitive and visible corporate governance issues. The financial crisis raised questions about the role of pay incentives in influencing executive behavior, including their appetite for risk-taking. Although shareholders may have little say about how much the CEO is paid in salary and bonus, they do have a major voice in approving stock incentive plans. Stock-based plans can transfer significant amounts of wealth from shareholders to executives and directors and are among the most economically significant issues that shareholders are entitled to vote on.”⁸¹

In part because the topic is inherently complicated, and in part because it has been the focus of a great deal of study, the voting guidelines on equity awards are among the most complex.

Equity awards were originally designed to align the shareholders’ interests with those of executives. However, outsized equity awards have been a key driver of excessive CEO compensation. During certain times and in certain sectors executives have received windfalls simply for being in the right place at the right time. This is not in the best interest of shareholders or society at large.

There are three primary types of equity awards:

1. **Stock options** give individuals the option to buy stock in the future at the market price when granted. In other words, if the price goes up it is something executives can take advantage of, but if the price goes down they have faced no immediate financial losses. There is some concern that this upside-only form of compensation has led to excessive risk-taking in some situations. ISS does not generally classify stock options as performance-based unless they include explicit performance conditions beyond stock price appreciation.
2. **Performance-based shares** are awarded based on achieving certain metrics. These are generally considered the current best practice. However, to be adequately evaluated the metrics must be thoroughly analyzed (see the discussion of metrics under Compensation Design and Incentive Metrics).
3. **Restricted stock** (time-based shares) pays out based on the passage of time and continued employment. A large restricted stock grant may suggest the company does not believe its value will increase and wants to guarantee some payout for executives. Time-based restricted pay has been characterized as “pay for pulse”. Once very common, this form of compensation seems to be seeing a comeback and may draw renewed analysis.

All shareholders have certain concerns about equity awards and proxy advisors evaluate them on several grounds. The primary measurements with easy to use quantitative screens are dilution and share usage. Dilution is a measure of how much any additional issuance of stock may reduce existing shareholders’ stake in a company.

EQUITY AWARDS

Plan design and governance look at such items as vesting terms, performance conditions, change-in-control provisions, repricing prohibitions, and clawback features. It is important that awards are aligned with the company's long-term performance goal with appropriate metrics. Finally, investors also consider the company's historical compensation practices and executive ownership when evaluating a plan. If a CEO receives large awards each year and sells them without increasing ownership then any alignment has been severed.

Regardless of award type, investors and proxy advisors evaluate equity plans using both quantitative screens and qualitative governance criteria, as well as reviewing practices.

There are many factors to consider and a few examples are cited below from guidelines that cover the broad scope.

- **Everence** evaluates equity plans using the following framework: "Rightly, the cost of these plans must be in line with the anticipated benefits to shareholders. Clearly, reasonable limits must be set on dilution as well as administrative authority. In addition, shareholders must consider the necessity of the various pay programs and examine the appropriateness of award types. Consequently, the pros and cons of these proposals necessitate a case-by-case evaluation. Factors that increase the cost (or have the potential to increase the cost) of plans to shareholders include: excessive dilution, options awarded at below-market discounts, permissive policies on pyramiding, restricted stock giveaways that reward tenure rather than results, sales of shares on concessionary terms, blank-check authority for administering committees, option repricing or option replacements, accelerated vesting of awards in the event of defined changes in corporate control, stand-alone stock appreciation rights, loans or other forms of assistance, or evidence of improvident award policies. Positive plan features that can offset costly features include: plans with modest dilution potential (i.e., appreciably below double-digit levels), bars to pyramiding and related safeguards for investor interests. Also favorable are performance programs with a duration of two or more years, bonus schemes that pay off in non-dilutive, fully deductible cash, 401K and other thrift or profit sharing plans, and tax-favored employee stock purchase plans. In general, we believe that stock plans should afford incentives, not sure-fire, risk-free rewards." (Please see their full guidelines to understand how the evaluation is implemented).⁸²
- **NEI's** guidelines also explain some of the issues related to equity plans: "We believe longer-term equity-based incentive awards should also be predominantly performance-based rather than time-based. We do not consider stock options to be performance-based. Unless they are tied to an appropriate range of performance conditions, options may simply be rewarding a rise in stock price during a bull market that has nothing to do with executive performance, while in bear markets both inferior and exceptional performance on key long-term value drivers may lead to the same result: no reward. In addition, options can greatly increase the inherent complexity of executive compensation. We are encouraged to see a market trend generally toward reduction in the use of options, and at some companies, their complete elimination from compensation frameworks."⁸³

In general, the guidelines we reviewed prefer performance-based equity grants with the longest vesting schedule and rigorous holding requirements. Shorter vesting horizons encourage short-termism and weaken alignment with durable value creation. Extending vesting and holding periods helps focus executives on systemic risk issues.

EQUITY AWARDS

Some voting guidelines are explicit on the time ranges.

- **Castlefield** notes that, “Remuneration schemes should require executives to hold shares in the company for at least 5 years in order to align executives with the interests of all shareholders. If a remuneration report does not require this, it should be voted AGAINST.”⁸⁴

Beyond traditional governance metrics, some investors emphasize the distributional impact of equity compensation. ICCR’s particular interest in this analysis is how equity awards have contributed to inequality and voting considerations that religious investors may wish to consider in addition to the broader issues above. One fairly simple measure to evaluate is how broadly awards have been granted, both among the five named executive officers and through the company as a whole.

- An anonymous guideline suggests, “The voting fiduciary should consider whether a proposed plan generally is available to other managers and employees in the company, or is targeted narrowly to the top executives of the company. Any plan that creates or exacerbates disparities in the workplace may adversely affect employee productivity and morale.” The fund recommends that “The voting fiduciary should generally oppose plans if a significant proportion (e.g. more than 10%) of option shares granted the previous year were issued to the top five executives.”
- **NorthStar’s** guidelines note that “unless equivalent equity-based compensation plans are offered to each non-executive employee as well” it will vote against/withhold.⁸⁵

Quantum of pay may also influence votes on equity plans. Both **Domini** and **Friends Fiduciary** include guideline language, “Generally vote against unreasonable compensation packages. Vote against CEO Equity Plans if CEO compensation exceeds \$10 million per year.”⁸⁶

81 Praxis Investment Management, “Proxy Voting,” *Praxis Mutual Funds*, accessed March 30, 2026, <https://www.praxisinvests.com/impact/proxy-voting>

82 Ibid.

83 NEI Investments, *Proxy Voting Guidelines* (Toronto: NEI Investments, 2025), <https://www.neiinvestments.com/content/dam/nei/docs/en/responsible-investing/reports/NEI-proxy-guidelines-en.pdf>

84 Castlefield Investment Partners, *Corporate Governance and Voting Guidelines* (Manchester: Castlefield Investment Partners, 2024), <https://www.castlefield.com/media/r1zhwj3r/corporate-governance-voting-guidelines.pdf>

85 NorthStar Asset Management, Inc., *Proxy Voting Guidelines* (Boston, MA: NorthStar Asset Management, Inc., January 2025), <https://northstarasset.com/wp-content/uploads/2023/08/Jan.-2025-NSAM-Proxy-Voting-Guidelines.pdf>

86 Domini Impact Investments LLC, *Domini Impact Investment Standards* (New York, NY: Domini Impact Investments LLC, November 2021), https://domini.com/wp-content/uploads/2022/03/Domini-Impact-Investment-Standards_1121.pdf; Friends Fiduciary Corporation (FFC), *Proxy Voting Guidelines 2025* (Philadelphia, PA: Friends Fiduciary Corporation, January 27, 2025), <https://friendsfiduciary.org/wp-content/uploads/FFC-ISS-Proxy-Voting-Guidelines-2025-1.27.25-FINAL.pdf>

RESOURCES FOR ENGAGING WITH COMPANIES AND MANAGERS

EEC/CEO PAY

AFL-CIO, [“Company Pay Ratios,” 2025.](#)

Chart detailing the ratio of CEO to media worker pay for more than 2000 companies; in 2024, the average CEO-to-worker pay ratio for S&P 500 companies was 285-to-1.

Chris Cox, [“Beyond the Living Wage: Catholic Social Thought and the Moral Case for Limiting Executive Pay,” January 2026.](#)

A Catholic perspective recommending investors engage on excessive executive compensation

Brookings, [Decoding CEO Pay, June 2017.](#)

Reviews shortcomings of compensation committee decisions and proposes ways in which companies and shareholders can improve their approach to determining top management’s compensation.

Economic Policy Institute, [“CEO Pay Has Skyrocketed Since 1978: Deliberate Policy Decisions Have Disempowered Workers and Increased Labor Market Inequality,” September 25, 2025.](#)

Page detailing CEO pay, its sources, and comparisons with worker pay and other metrics. Also provides historical numbers.

Institute for Policy Studies, [Executive Excess 2025: CEO Pay and Stock Buybacks Have Soared at the 100 Largest Low-Wage Corporations, August 2025.](#)

Report that takes an in-depth look at the 100 S&P 500 corporations with the lowest median worker pay, the “Low-Wage 100”, and analyzes CEO and worker pay trends since 2019. Also compares what these companies have spent on stock buybacks with what they have invested in capital improvements.

RESEARCH DETAILING IMPACT OF EXECUTIVE COMPENSATION ON SHAREHOLDER RETURNS

As You Sow, [The 100 Most Overpaid CEOs, November 2023.](#)

The typical S&P 500 firm made 8.5% per year annualized from February 2015 to September 2023, the 100 Most Overpaid CEOs’ annual returns lagged at 7.9%, the worst 25 dragged at 6.0%, and the ten worst were behind at 6.5% per year. As a group, over a decade, overpaid CEOs underperformed.

Asia Pacific Journal of Management, [“Are Executive Pay and Firm Performance Related? Evidence-Based on Meta-Regression Analysis” September 2024.](#)

This study synthesizes the results of the 137 research studies on the performance-pay relationship and finds a positive association but has become statistically less significant over time.

MSCI, [Are CEOs Paid for Performance?](#), July 2016.

Companies that awarded their Chief Executive Officer (CEOs) higher equity incentives had below-median returns based on a sample of 429 large-cap U.S. companies from 2005 to 2015.

INVESTOR RESOURCES THAT FOCUS ON CONCERNING VOTING RECORDS OF LARGEST ASSET MANAGERS

Majority Action, [“Intra-Firm Inequality & Say-on-Pay Votes,”](#) 2026.

A resource for engaging external managers, reviewing the 2025 proxy voting of the biggest index funds from major asset managers. Part of *Accountability in the Boardroom 2025: A Fund-Level Analysis of How Major Asset Managers Managed System-Level Risk in 2025*.

Matthew Illian, [“Say-on-Pay 2025 Proxy Voting Review of Large Asset Managers,”](#) Harvard Law School Forum on Corporate Governance, January 22, 2026.

Compares proxy voting records between US and European managers on the issue of executive pay.

HOW PEER GROUPS INFLATE PAY

Charles M. Elson and Craig Ferrere, [“Executive Superstars, Peer Groups and Overcompensation: Cause, Effect and Solution,”](#) Journal of Corporation Law, 2013.

This study looks at how peer benchmarking drives up CEO pay, the costs of runaway CEO pay, and alternative considerations for compensation committees.

Woon Sau Leung, [“Compensation Consultants and CEO Pay Peer Groups,”](#) Harvard Law School Forum on Corporate Governance, May 27, 2024.

This paper investigates the influence of consultants on the selection of CEO pay peers and examines whether such influence, if any, affects overall CEO compensation.

INVESTOR STEWARDSHIP RESOURCES ADDRESSING INCOME INEQUALITY

Several organizations have developed resources for investors who are seeking to engage the issue of income inequality and compensation best practices. These resources can be helpful when developing custom guidelines, investment beliefs and goals focused on EEC and income inequality.

Oxfam and Rights CoLab, [The Investor Case for Fighting Inequality: How Inequality Harms Investors and What Investors Should Do About It](#), September 6, 2024.

This report features evidence of inequality-related risks both at the systemic and firm level, and urges investors to mitigate inequality-related risks in their portfolios as part of their fiduciary duty.

Principles for Responsible Investment, [Discussion Paper: Why and How Might Investors Respond to Economic Inequality?](#), 2 November 2018

Discusses inequality as a lens for investment analysis. Considers why investors should care about inequality, emerging research, and considerations for investor role in broader policy discussions.

[Using Systemic Stewardship to Address Income Inequality - TIIP The Investment Integration Project](#)

This report examines and re-defines the notion of stewardship to include the consideration of social and environmental systems alongside financial returns.

NOTABLE RESEARCH RELATED TO SYSTEMIC IMPACTS OF INEQUALITY

Sorapop Kiatpongsan and Michael I. Norton, [“How Much \(More\) Should CEOs Make? A Universal Desire for More Equal Pay,”](#) *Perspectives on Psychological Science*, November 2014.

2014 survey found that US workers estimate the average CEO pay ratio to be 30:1 and believe the ideal pay ratio should be closer to 7:1.

Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, [“IMF Staff Discussion Note: Redistribution, Inequality, and Growth,”](#) International Monetary Fund, February 2014.

IMF economists have found that higher levels of inequality lead to more frequent and severe economic downturns. Where inequality is high, economic gains are less enduring and more likely to be destroyed by recessions.

Robert C. Pozen and S.P. Kothari, [“Decoding CEO Pay,”](#) Brookings, June 21, 2017.

Reviews the common shortcomings of compensation committee reports and proposes ways in which companies and shareholders can improve their approach to determining top management’s compensation.

Phyllis Siegel and Donald Hambrick, [“Pay Disparities within Top Management Groups: Evidence of Harmful Effects on Performance of High Technology Firms.”](#) *Organization Science*, June 2005

High CEO-to-median-employee pay ratios can hurt employee loyalty and motivation, decreasing the productivity of a company’s workforce.

Matt Bloom and John Michel, [“The Relationships Among Organizational Context, Pay Dispersion, and Managerial Turnover,”](#) *Academy of Management Journal*, 2002, <https://www.jstor.org/stable/3069283>; James Wade et. al.,

The impact of high CEO pay on employee productivity extends to rank and file employees as well. The negative impacts of high pay ratios have been shown to extend down the chain of command, resulting in higher employee turnover and lower job satisfaction.

Thomas Piketty, *Capital in the 21st Century*, tr. Arthur Goldhammer, Cambridge 2014; Thomas Piketty and Emmanuel Saez, “Inequality in the Long-Run,” *Science* 344, 2014, pp. 838-843, <https://www.jstor.org/stable/j.ctt6wpqbc>

Highlights sharp spikes in wealth at the very top of the developed world’s economies.

Douglas Cowherd and David Levine, “Product Quality and Pay Equity Between Lower-Level Employees and Top Management,” *Administrative Science Quarterly*, June 1992, <https://www.jstor.org/stable/2393226>.

Extreme disparities between CEO and employee pay can also result in a significant deterioration in the quality of products produced by employees.

SYSTEM-LEVEL INVESTING

Jon Lukomnik and James P. Hawley, *Moving Beyond Modern Portfolio Theory: Investing That Matters*, Routledge, 2021.

Argues that modern portfolio theory is no longer fit for purpose, and that system-level risks must be factored into investment decisions.

Principles for Responsible Investment, *Addressing System-Level Risks and Opportunities*, 2025.

Supports investors in prioritizing system-level risks and opportunities, taking action and monitoring, assessing and reporting on progress.

The Shareholder Commons, *Making the Case: Macroeconomic Risk & Portfolio Impact: A Tool for System-Level Investors*, 2026.

Provides sample language for asset owners and managers seeking to integrate macroeconomic risk and important background on system-level investing.

Fact Sheets: *Racial Equity Outcomes in Proxy Voting*, November 2025.

An educational resource on how firms’ proxy voting guidelines can be in alignment with racial equity efforts. This document focuses on real-world systemic inequities and how the investor tool of proxy voting can contribute to equitable business outcomes, and in turn, a more just, equitable and stronger economy.

CONCLUSION

While many workers face stagnant wages, an affordability crisis, and precarious working conditions, often relying on public benefits such as SNAP and Medicaid to meet their basic needs, CEO pay has risen over 1000% in the last fifty years. For those that approach the capital markets from a faith and values perspective, these pay inequities challenge the moral and ethical codes of fairness. Grounded in this vision, ICCR members have long affirmed that corporations and investors have a responsibility to advance dignity and justice for all working people and to contribute to a more just and sustainable economy.

The examples from ICCR members and peers highlighted in this report demonstrate that through investor expectations, voting policies, and engagement strategies around executive compensation and systemic risk, the investor community has the power to drive outcomes that are more equitable.

Ultimately, addressing excessive executive compensation and income inequality will require investors to take a closer and more disciplined look at the policies that guide their say-on-pay votes. That means scrutinizing not just the overall size of pay packages, but how companies set peer benchmarks, design compensation plans, select performance metrics, and justify one-time awards.

At a time when investors have continued to support the vast majority of executive pay packages, this report makes clear that a more critical and consistent approach is needed. By strengthening investor policies that address these areas, investors can have a hand in reining in excessive compensation and ensure that pay practices better reflect accountability, fairness, and long-term value creation, and affirm that how companies reward leadership is not just a financial decision, but a moral one.