

Reorienting management remuneration towards sustainability: lessons from Germany

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This contribution addresses the contribution that trade unions can make to reorienting management remuneration away from a short-term orientation to share price towards long term company sustainability. The contribution discusses the lessons that can be drawn from Germany, where recent legislation on executive remuneration has mandated sustainability considerations and strengthened the influence of company board level employee representatives (BLEReps). German trade unions successfully influenced the final form of this legislation. They also give active guidance to BLEReps to reduce the role of stock and stock options in executive remuneration. Instead, both fixed pay and elements of variable pay tied to sustainability objectives (such as employee and customer satisfaction and environmental performance) should have a greater weight in remuneration.