ABSTRACT

This study aims to investigate how golden parachutes as part of an executive compensation package impact the decision-making of executives concerning ESG-related activities. Using firms in the S&P 1500 Index as a sample, we find a highly significant and positive relationship between ESG scores and golden parachutes. Further, we also notice that ESG scores and executives' age has a negative and significant relationship. However, when considering the cross effect of executives' age and golden parachutes towards ESG scores, the relationship is highly significant and positive. We also recognize that that the cross effect between long-term executive compensation and golden parachutes on ESG scores result in significant zero coefficient. These findings yield three key implications. First, golden parachutes can be an effective element to motivate executives toward making decisions that support ESG. Second, firms that look to increase the ESG score are better off having executives younger than 64 years old. Third, golden parachutes can be an effective element of motivation for executives older than 64 years old to keep down the effect of age.