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Behavioral Insights fostering 'Pay for Sustainability' Remuneration Schemes

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ABSTRACT: In the aftermath of the 2008/09 World Financial Recession as well as after the COVID-19 external economic shock fallout, the stakeholder interest in integrating social considerations in corporate and finance market endeavors has risen steadily. The looming climate change crisis has exacerbated the call for sustainability in economics, finance and professional governance and leadership. In the USA and Europe, Green New Deals are governmental projects to imbue sustainability practices in corporate and financial sector activities. In the area of capital market supervision in the USA, the Securities and Exchange Commission (SEC) has proposed mandatory disclosures regarding climate change risks in the wake of attention to Environmental, Social and Governance (ESG). In Europe, the European Sustainable Finance Taxonomy classifies industry's CO_2 emission levels in order to use transparency to curb environmentally-harmful activities for the sake of sustainability. Financial Social Responsibility continues to grow in qualitative and quantitative terms, foremost in Socially Responsible Investment (SRI). The corporate sector has responded to all these sustainability trends with the concept of 'Pay for Sustainability' as an executive compensation form that either lowers variable pay if sustainability is not implemented or provides executive bonuses for pro-active sustainability integration into corporate activities. This paper addresses contributions of behavioral economics for improving the acceptance and efficiency of 'Pay for Sustainability' remuneration schemes in three features: (1) Socio-psychological aspects of remuneration that heighten social status and social belonging imbuing meaning and purpose to work; (2) Temporal bundling strategies that help decision makers envision now and the future at the same time, which helps aligning short-term with long-term goals of corporations; (3) Prospect Theory's insights that losses emotionally loom larger than gains, which provides valuable communication nudges for outlining the intangible emotional value of sustainability care. Overall, this article discusses the current state of 'Pay for Sustainability' remuneration and highlights positive affirmation and communication nudges to work with social status-enhancing behavioral communication features that boost the positive acceptance of and reaction to 'Pay for Sustainability.'

KEYWORDS: Corporate Social Responsibility, Behavioral Economics, Behavioral Insights, Board decision making, Economics, Environmental financialization, European Green Deal, Executive compensation, Finance, Green New Deal, Human Resources Management, Leadership, Management, Organizational Behavior, Pay for Sustainability, Sustainable finance

Introduction

The 2008/09 World Financial Recession and the COVID-19 economic fallout but also the growing impact of climate change heralded attention for sustainability in the corporate world (Würstle & Hostettler 2020). In Western world economies, stakeholder pressure and legislative Environmental, Social and Governance (ESG) disclosure requirements drove a rising trend of Corporate Social Responsibility and Socially Responsible Investment. In response to governance, governmental and stakeholder demands to address sustainability in corporate and finance performance, 'Pay for Sustainability' remuneration schemes have evolved in most recent years (Hostettler, Lambin & Würstle 2018). 'Pay for Sustainability' remunerates the integration of ESG factors in corporate goals and endeavors into executive compensation (Hostettler et al. 2018). 'Pay for Sustainability' correlates to a large extent with the considerations given to sustainability performance of the corporate leadership (Hostettler et al. 2018).

International stakeholder pressure to address ESG topics in the corporate and finance sectors drives demand for corporate leadership to implement ESG awareness in daily

operations. Integrating ESG attention and performance into executive compensation therefore serves as powerful catalyst to align the corporate goals with a corporation's stakeholder environment implying long-term success for corporations and sustainability for humanity. While a growing number of corporations implement ESG performance criteria as a compensation factor, a structured discourse with best practice models on how to promote and support 'Pay for Sustainability' is yet missing.

This article addresses behavioral insights that may aid the acceptance, implementation and compliance with ESG criteria pegged to compensation plans in 'Pay for Sustainability' schemes. Besides being a monetary bonus for ESG conscientiousness in practice, which may be limited to a certain threshold amount to increase with salary rises, 'Pay for Sustainability' addresses socio-psychological motives beyond pure financial gain. Apart from economic profitability calculus, leaders are found to be influenced by socio-psychological motives in acquiring financial compensation bonuses (Hostettler et al. 2018; Puaschunder 2010, 2017). Social status in comparison to colleagues but also 'warm glow' sentiments raising meaningfulness of one's work play a crucial role in the executives' utility derived from financial compensation (Hostettler et al. 2018). Addressing socio-psychological motives in the promotion and implementation of 'Pay for Sustainability' may therefore aid in imbuing intangible assets into compensation plans.

In addition, bundling two time perspectives in the communication of ESG goals for remuneration schemes may help to nudge executives into more rational choices. Time focus bundling in evaluating short-term and long-term goals together has been proven as a powerful tool to nudge policy makers into sustainable choices (Puaschunder & Schwarz 2012). Pegging the current corporate plan to future-oriented visions in 'Pay for Sustainability' advocacy may therefore implicitly elicit rationality and intergenerationally-conscientiousness of the corporate executive board.

This article also introduces a behavioral economics motivating factor for 'Pay for Sustainability' schemes in addressing loss aversion in sustainability communication pegged to corporate action plans. Since the 1970s, behavioral economics has revolutionized standard neoclassical concepts. In laboratory experiments, Daniel Kahneman and Amos Tversky (1979) captured that human beings emotionally care more about losses than gains. The same amount of money either gained or lost was experienced more painfully when being lost than the joy felt when being gained. As losses loom larger than gains, the concept of 'Pay for Sustainability' could now in particular address concrete examples of potential irreversible losses to the environment and lock-ins that narrow the range of future opportunities as well as draw attention to climate risks in tipping points in order to load 'Pay for Sustainability' emotionally and move leadership via loss aversion to aspire the 'Pay for Sustainability' bonus. Leadership could be enhanced to 'feel' losses in order to emotionally fortify bonus payouts with non-monetary gratification of the larger community and lasting appreciation for work including future generations. Especially in leadership executive compensation, non-monetary additions to positive reinforcement and feedback communication imply a powerful multiplying force of change for the better.

Overall, this article discusses the current state of 'Pay for Sustainability' remuneration in order to highlight behavioral insights for positive affirmation and communication nudging strategies to improve executive compensation and work motivation schemes that can positively impact society.

The rise of Corporate and Financial Social Responsibility

Responsibility is part of human nature and complements corporate activities and financial considerations (Puaschunder 2010). The economic, legal, social and philanthropic responsibilities within the corporate sector are addressed in Corporate Social Responsibility (CSR), which

comprises the economic, legal, ethical and philanthropic responsibilities of corporations toward society. Financial social responsibility is based on considerations of CSR in investment behavior. CSR is the basis for Socially Responsible Investment (SRI) in screenings, shareholder advocacy, community investing and social venture capital funding. SRI is enacted in rational profit maximization considerations of positive-screened market ventures that feature the selection of corporations with sound social and environmental records and socially responsible corporate governance. Positive shareholder activism implies advocating for socially responsible corporate conduct in shareholder meetings. Negative shareholder activism exerts activist influence and ranges from political lobbying, consumer boycotts and confrontations geared by negative publicity to pressure corporations into socially responsible corporate conduct. Active endowments emerged from academics establishing procedures for integrating social responsibility in university endowments. Community investing involves investor set-asides and earmarks of investment funds for community development, but also features access to traditional financial products and services ranging from credits, equity and banking products to low-income and at-risk communities. Social venture capital funding finances socially responsible start-ups and social entrepreneurs to foster the positive social impact of capital markets. As a special case of SRI, political divestiture refers to the investment withdrawal from socially irresponsible market regimes with the greater goal of accomplishing socio-psychological changes.

Through the last decades, financial social conscientiousness grew qualitatively and quantitatively. Globalization, political changes and societal trends after the 2008/2009 World Financial Recession, but also the current state of the post-COVID-19 pandemic world economy, have leveraged a societal demand for ingraining responsibility into markets. As of today, SRI has been adopted by a growing proportion of investors around the world. The incorporation of social, environmental and global governance factors into investment options has increasingly become an element of fiduciary duty, particularly for investors with long-term horizons that oversee international portfolios.

A new resilient finance order in the aftermath of the COVID-19 pandemic portrays corporate conduct and monetary means to alleviate inequality and pursue sustainable development in Corporate Social Justice and environmental ethicality financing. As of today, corporate and financial endeavors to integrate the triple bottom line of Environmental, Social and Governance (ESG) concern into business are driven by a broad range of stakeholders from the public and private sectors. In the international arena, the United Nations (UN) plays a pivotal role in institutionally promoting ESG corporate and financial integration in the pursuit of the Sustainable Development Goals.

In the early beginnings of ESG awareness in the corporate sector, the United Nations Global Compact and the UN Environment Programme (UNEP) Finance Initiative launched the Principles for Responsible Investment (PRI) in April 2006 at the New York Stock Exchange (NYSE) to ingrain social responsibility in investment decision making of asset owners and financial managers. In February 2008 the UN Conference on Trade and Development (UNCTAD) incepted the 'Responsible Investment in Emerging Markets' initiative at the Geneva PRI office. The United Nations Environment Programme Finance Initiative (UNEP FI), the Equator Principles, The Green Bond Principles and corporate reporting standards led initiatives such as Global Reporting Initiative (GRI) and Integrating Reporting (IR). The UN PRI office launched the first industry guideline report on '*Integrating ESG Issues into Executive Pay: An Investor Initiative in Partnership with UNEP Finance Initiative and UN Global Compact*' in 2012 (United Nations Principles for Responsible Investment Office 2012). In the wake of the 2015 inception of the UN Sustainable Development Goals (UN SDGs), the UN targeted at finding finance to embrace environmental, social and governance issues in the light of fiduciary duty. The United States Stock Exchange Commission seeks to further support the PRI and to consider innovative ways how to imbue a greening of the economy in financial

markets. Sustainable development impact reporting highlights sustainable development criteria, such as environment and social standards.

Global governance institutions play a crucial part in implementing ESG goals in the corporate world. Comprised of all nations of the world, global governance entities have the capacity to instigate the idea of a 'Global Green New Deal,' which could globalize ideas to address environmental risks in corporate and financial endeavors.

Most recent governmental support of sustainability financing include the Green New Deals in the United States and Europe. Governance support backs the integration of ESG in corporate endeavor ever since. Inspired by the economic success story of the New Deal reform of the United States to recover from the Great Depression of the 1920s, the so-called Green New Deal (GND) is a large-scale governmental attempt in the US to secure a sustainable economic solution in harmony with the earth's resources (Braga, Fischermann & Semmler 2020). The GND targets at strengthening the United States economy and fostering inclusive growth. One core GND strategy is to share the economic growth benefits more equally within society. The GND advocates for using a transition to renewable energy and sustainable growth in order to stimulate economic growth (116th Congress of the United States, House Resolution 109, Introduced Feb 7, 2019). In times of rising inequality, the GND has also become a vehicle to determine the COVID-19 economic bailout and recover aid targets. The GND thereby combines Roosevelt's economic approach with modern ideas of economic stimulus incentivizing industries for a transition to renewable energy and resource efficiency as well as healthcare equality and social justice pledges (Puaschunder 2020b, 2021).

In the European Union, the European Green Deal marries the idea of finance with sustainability. In response to the crisis of responsibility in markets and the widening inequality gaps, the European Bank Recovery and Resolution Directive (BRRD) coordinates resilient finance endeavors in Europe (LaBrosse, Olivares-Caminal & Singh 2014). Already the 2008/09 World Financial Recession revealed the substantial reform need for member-state bank deposit guarantee schemes and measures to resolve banks in financial distress within the European Union compound (LaBrosse, Olivares-Caminal & Singh 2014). In the wake of the COVID-19 pandemic, the European banking sector experienced substantial government intervention and support that led to the recapitalization of several systemically important European banks (LaBrosse, Olivares-Caminal & Singh 2014). Besides capital aid, the rescue and recovery funds also targeted at the reform of bank capital standards that should help ensure resilience in the financial world. Rescue and recovery aid recipients also had to agree to various austerity measures, such as the increase of national value added tax, social spending cuts, increase of retirement age and the reduction of the workforce in the public sector (Lengfeld & Kley 2021). The European Sustainable Finance taxonomy quantifies the carbon emission impact of various industries in order to make economic impacts on environmental conditions more transparent and accountable. The Next Generation EU and the European Green Deal are current notable developments at the forefront of green finance. The European Finance Taxonomy offers a system to classify which parts of the economy can be considered as sustainable investments.

The urgent need for corporate and financial responsibility towards environmental protection becomes most blatant in climate change alleviation strategies. A group of central banks and supervisors launched the Networking for Greening the Financial System (NGFS) in 2017 to contribute to the analysis and management of climate and environment-related risks in the financial sector and mobilize mainstream finance to support a transition to a sustainable economy. In response to a growing awareness of the economic impacts of global warming and cognizant of the regulatory and supervisory gap in green finance, a growing number of central banks and regulators around the world are addressing climate change and environmental risks faced by the banking and financial sector.

Central banks and financial regulators now also play a pivotal role in mainstreaming green finance and making sure climate-related risks are properly measured, verified and reported. Green banking is becoming popular in the pursuit of reducing greenhouse gas emissions reduction pledges to increase the resilience of society to negative climate change impacts while considering sustainable development goals in inclusive growth and equal opportunities. Notable is the Prudential Regulation Authority (PRA) within the Bank of England that addresses the widespread economic impact of climate change on society.

The corporate sector now also involves attention to ESG in disclosure mandates. In the US, the Securities and Exchange Commission (SEC) has issued a disclosure mandate concerning the impact of publicly-listed corporations on climate change in CO_2 emission (SEC Press Release, May 25, 2022). Transparency on ESG targets at standardized information for investors about the corporate and industry impact on the environment (SEC Press Release, May 25, 2022).

In Europe, the regulation to implement sustainability often features a 'comply-or-explain' model, in which corporations are incentivized to implement ESG goals – but if not successful (e.g., in terms of diversity representations) can explain their reasons for not complying in order to avoid direct governmental consequences. Though not seen as uncontroversial, the regulatory mandates to draw attention to ESG performance in the corporate world have steered interest in integrating sustainability considerations as performance measurement within firms. In order to overcome problems of "greenwashing" and low credibility of corporate sector activities geared towards sustainability and to incentivize the leadership for ESG performance in corporations, 'Pay for Sustainability' schemes were introduced in executive payment models (Würstle & Leder 2022).

'Pay for Sustainability' compensation schemes

The concept of 'Pay for Sustainability' addresses rising stakeholder and corporate concern for the integration of ESG measures as performance standard of corporations and the finance sector. ESG criteria integration into corporate management and business practices can materialize in many different forms: For instance, such as customer relations, human rights and social value development, community engagement, diversity management and employee satisfaction in health and safety protocols but also environmental sustainability indicators, for instance in environmental responsibility, and environmental criteria such as the reduction of greenhouse gas emissions but also green product development (Hostettler et al. 2018). The goals targeted with ESG implementation strategies have to be aligned with the corporate culture and mission of the industry as well as the overall stakeholder landscape (Hostettler et al. 2018). The measurement of fulfillment usually draws from Corporate Social Responsibility (CSR) and Socially Responsible Investment (SRI) practices but also Sustainability indices (Puaschunder 2010; forthcoming).

Internally, corporations that implement 'Pay for Sustainability' face a trade-off between raising accountability and awareness of ESG topics inside the organization due to stakeholder pressure outside the organization versus substantial administrative costs and implementation complexity (Cunningham 2022; Hostettler et al. 2018; Würstle & Varges 2023). Principles of responsibility implemented in the corporate world demand for links of sustainability at all employee levels. Trickling down effects are highest when sustainability is directly elicited on the corporate leadership level. Leadership compensation mechanisms offer bonus payments to be pegged to ESG causes.

Concrete 'Pay for Sustainability' executive compensation models typically address the senior leadership team, which accounts for 2-3 percent of the employee level. The leading management enjoys the highest flexibility in major aspirational goal setting that influences the corporate culture and serves as primary implementation guidance anchor. Executives have thereby the largest influence on overall strategy and attention given to ESG, which trickles

down in the operational corporate structure (Hostettler et al. 2018). 'Pay for Sustainability' executive compensation schemes therefore are an efficient and powerful strategy to implement ESG on the corporate level. Driving a corporate culture with ESG awareness through executive compensation has thus become a most vibrant mechanism for sustainable development and catalyst for positive societal change (Friede, Busch & Bassen 2015; Hostettler et al. 2018; Orlitzky, Schmidt & Rynes 2003).

Hostettler et al. (2018) classify two non-exclusive ESG criteria implementation strategies for executive compensation: For one, a downward adjustment of variable pay can occur if boundary conditions of a successful reduction of carbon emissions or customer satisfaction is not fulfilled (Hostettler et al. 2018). For another, a reward approach would increase compensation with bonuses if ESG performance is pro-actively enhanced as value creation (Hostettler et al. 2018). Both strategies can be combined and results be derived from a scorecard addition and subtraction approach.

In 2021 it was estimated that out of 500 international companies, 71% use some form of ESG measure for setting short-term goals, which was a rise from 66% in 2020 (Würstle & Leder 2022). In total 52% of Switzerland's top banks and insurers have by now a link of ESG initiative to variable pay (May & Würstle 2023). Corporate size appears to be a moderating factor – with the larger corporations being more prone to implement 'Pay for Sustainability' schemes (Hostettler et al. 2018).

Despite the rising prominence of 'Pay for Sustainability' and significant momentum noticed in the industry, practical advice on how to link ESG goals with corporate leadership and management is still lacking clear industry directives and best practice models (Hostettler et al. 2018). So far, market practices appear to be diverging, with large companies being at the forefront of ESG attention. Industry-specific variation points at the oil and gas industry, utilities and basic raw materials being leaders-in-the-field for ESG implementation via 'Pay for Sustainability' practice (Hostettler et al. 2018).

As for the relative novelty of the approach to integrate sustainability into the corporate culture and practice, no clear best practices have been established (Hostettler et al. 2018). In addition, a trend is noticed that companies are increasingly integrating ESG topics only in the short-term incentive plans neglecting long-term sustainability goals (Würstle & Leder 2022). While the concept of ESG points towards long-term sustainability aspirational goals, the actual implementation on corporate level needs to be tied back to clear short-term incentive mechanisms and broken down to be attached to the actual constant payment schedules. It appears that ESG 'Pay for Sustainability' is largely focused on short-term plans in 77% of studied cases in Europe and 97% of studied cases the United States (Hostettler et al. 2018). Developing best practices on how to break down long-term aspirational goals to reachable yearly targets has become essential – especially in light of too long-term aspirational goals' nature to crowd out motivation to start working on them (Leibovitch & Stremitzer 2022).

Behavioral Economics

Since the end of the 1970s, a wide range of psychological, economic, and sociological laboratory and field experiments proved human beings deviating from rational choices (Puaschunder 2022). Standard neoclassical profit maximization axioms were outlined to fail to explain how humans actually behave (Puaschunder 2022). Human beings were rather found to use heuristics in day-to-day decision-making (Puaschunder 2022). These mental shortcuts enable us to cope with information overload in a complex world (Puaschunder 2022).

In the subsequent decades, human decision-making failures were studied in Europe and North America with the goal to present a wide range of nudges and winks to curb harmful consequences of humane decision-making fallibility. Behavioral economists established themselves as decision making leaders in their use of behavioral insights derived from how

human beings actually decide in order to create powerful nudge and wink to improve human decision making and choices.

This article presents three behavioral strategies to enhance 'Pay for Sustainability' remuneration schemes: (1) Counter the neoclassical assumption of pure monetary rationality dominance in management theory, socio-psychological motives were found to play a crucial role in the satisfaction derived from work and remuneration. (2) Bundling two time perspectives together in decision making in curated choice architectures was found to elicit rationality and improve sustainable choices. (3) One of the starkest behavioral effects is loss aversion in human's relatively heightened emotional discomfort with losses in comparison to the rather blasé experience towards gains.

The following part will apply these three concepts of socio-psychological motives in workplace satisfaction and remuneration gratification; bundled joint decision making to elicit rationality as well as loss aversion in the domain of 'Pay for Sustainability' executive compensation schemes. Overall, behavioral insights about decision making preferences and behavioral choice architectures are thereby portrayed to create powerful incentivizing nudges in economic markets as well as clear directives for insightful communication strategies to enhance sustainability performance in the corporate world.

Socio-psychological motives of remuneration schemes

Already in the Corporate and Financial Social Responsibility literature, socio-psychological motives for socially conscientious market operations and investments were mentioned (Puaschunder 2017). Socially Responsible Investment (SRI) integrates corporate social responsibility in investment choices. In the aftermath of the 2008/09 World Financial Crisis, SRI grew. Socially conscientious asset allocation styles add to expected yield and volatility of securities social, environmental and institutional considerations. In screenings, shareholder advocacy, community investing, social venture capital funding and political divestiture, socially conscientious investors hone their interest to align financial profit maximization strategies with social concerns (Puaschunder 2017). Apart from economic profitability calculus and strategic leadership advantages, socio-psychological motives that underlie SRI are warm glow elements, such as altruism and social status enhancement prospects in transparent pro-social choices that may steer investors' social conscientiousness (Puaschunder 2017). Self-enhancement and social expression of future-oriented SRI options that may implicitly communicate innovation and entrepreneurial zest are drivers of ESG as well.

Socio-psychological motives of finance are also found in the behavioral finance literature that addresses that importance of social networks for financial decision making and choices. Social networks and social comparisons do play a role when it comes to remuneration. The social circles as captured in church communities, university choices and investors' children's schools were shown to be social networks that financial executives are prone to derive inspiration for financial management from (Hong, Kubik & Stein 2004; Hong & Xu 2019; Puaschunder 2022). In payment schemes, relative differences to colleagues' performance are valued more importantly than the absolute payment (Hostettler, Würstle & Tilvesv 2023).

When it comes to concrete remuneration schemes and executive compensation, organizational psychology finds a monotonous function of increase in happiness by salary increase around 75,000 USD or 70,000 Euro. Beyond that threshold, corporate executives appear not to respond to additional remuneration with more happiness (Argyle 1999; Diener & Biswas-Diener 2002; Diener, Sandvik, Seidlitz & Diener 1993; Gardner & Oswald 2007; Kahneman & Deaton 2010; Stevenson & Wolfers 2008, 2013). Follow-up studies specified happiness to stagnate at 95,000 USD for overall life evaluation and 60,000 USD to 75,000 USD for emotional well-being (Jebb, Tay, Diener & Oishi 2018). If remuneration beyond 75,000 USD is detached from increases of happiness, then additional value in executive compensation may need to be pegged to socio-psychological variables that can create happiness, such as in

the case of SRI. Altruism, warm glow and sustainability may become valuable emotional capital to load bonuses with that grant social capital and reputational benefits beyond pure absolute monetary value. ESG communication can bestow credibility and reputational capital to the wider stakeholder community (May & Würstle 2023).

Clear communication strategies and transparency before colleagues and stakeholders may be more important motivational drivers than the actual monetary gain. Shame from losing in variable payments for non-compliance or customer dissatisfaction may be additional pro-social drivers as social status losses have been associated with pro-social behavior in the environmental domain (Puaschunder 2017). In compensation direct comparisons to previous performance and the performance of other members of the corporation but also the social networks of individuals have been found to be of highest relevance for happiness (Hostettler 2018; Hostettler, Würstle & Tilvesv 2023; Kirchler 2011). If the direct comparison is key, then transparency of the paid out ESG 'Pay for Sustainability' bonuses but also losses of variable pay options due to non-compliance and consumer complaints promise to be a compelling driver for sustainability.

Aligning short-term with long-term goals through bundling strategies

In the measurement of 'Pay for Sustainability' remuneration schemes, the integration of sustainability in long-term incentive plans was recently found to be still less common, ranging around only 16% of studied corporations (Würstle & Leder 2022). Breaking down key ESG aspirational goals into concrete yearly targets for different sections of the corporation is challenging yet important as this enhances the credibility, meaningfulness and determination in the ESG endeavor (Leibovitch & Stremitzer 2022; May & Würstle 2023).

A behavioral insight that was used to elicit sustainability conscientiousness and align short-term goals with long-term endeavors is the bundling strategy of two time perspectives (Puaschunder & Schwarz 2012). In international surveys, Puaschunder & Schwarz (2012) presented respondents with public policy choices and asked to allocate tax units to different policies based on importance. The mere display of the same policies varied. Presenting two time shots of now and the future at once in a bundled way elicited more rational and intergenerationally-harmonious choices. When subjects saw a long-term endeavor pegged to a short-term goal, their choices became more sustainable (Puaschunder & Schwarz 2012). When individuals judge alternative choices, presenting the viewpoints of two generations concurrently balanced intergenerational contributions (Puaschunder & Schwarz 2012). The joint decision-making advantage has been proven in the Western world, in an international sample as well as in mainland China in paper-and-pen survey studies as well as online surveys (Puaschunder & Schwarz 2012). Finding this sustainability nudge in an international context leverages bundling and the joint decision-making advantage into an easily-implementable and powerful way to promote 'Pay for Sustainability' via strategic and easily-implementable time prospect display.

The power of the bundling display could be used in the communication of 'Pay for Sustainability' strategies. Joint decision making is a powerful means to overcome short-termism and hyperbolic discounting biases in corporate decision making and executive leadership that trickles down in the corporation. When corporate leadership and executives are introduced to the concept of 'Pay for Sustainability,' but also when they are trained and evaluated on the outcome of their work, two time perspectives could be put together in order to elicit a connection between the short-term goals and the long-term horizon of the corporation. Valuating two time perspectives in their remuneration scheme can implicitly make leaders more sustainable in their thinking and actions. By the mere display of two different times of their work outcomes together, sustainable choices that benefit future generations can be elicited. Presenting the viewpoints of two generations with outcomes now or later concurrently therefore is an easily-implementable, cost-efficient nudge to work towards sustainability and align short-

term corporate goals with long-term sustainability pledges in harmony with the environment. The corporate board is also advised to consider a multi-faceted decision schema and age-differentiated consortia that may help implement intergenerational equity.

Loss aversion
Prospect Theory accounts for one of the hallmarks of Behavioral Sciences. Already in the 1970s, behavioral economists Daniel Kahneman and Amos Tversky (1979) found that human beings emotionally care more about monetary losses than gains. The same amount of money either gained or lost was experienced more emotionally when being lost than when being gained (Kahneman & Tversky 1979). As losses loom larger than gains, the concept of 'Pay for Sustainability' could stress potential losses to the environment and climate stability from CO_2 emissions in order to move executives and 'feel' the gains from 'Pay for Sustainability' more valuably than remuneration without any particular emotional attachment to the act of getting paid for work. Introducing and communicating 'Pay for Sustainability' schemes in corporations could also be directly related to the substantial risk imbued in the societal losses implied by environmental degradation, irreversible tipping points and terminal lock-ins (Puaschunder 2020a). Raising awareness of the long-term losses of climate change can elicit powerful loss aversion sentiments that can change decisions and drive motivation for sustainability.

Potentially also relating unsustainable behavior or ignorance to sustainability to social status losses, may in addition drive support for 'Pay for Sustainability.' A 2012 behavioral economics field experiment at Harvard University observed that environmentally-conscientious actions can be nudged by social forces (Puaschunder 2017). Puaschunder (2017) evaluated recycling habits in Harvard dormitories and energy conscientiousness in Harvard libraries. Field experiments thereby showed that when social status emblems are pegged to sustainability conscientiousness (in the form of recycling and light saving instructions), the removal of social status pegged to sustainability compliance drives pro-social environmentalism (Puaschunder 2017). The removal of social status in light of non-compliance with sustainability endeavors can therefore become a powerful nudge to drive pro-social choices. Especially in variable remuneration schemes that are transparent to other members of an organization, the transparent pay-cut threat if sustainability goals are not met or consumers are not satisfied by the environmental performance of the corporation can potentially steer leaders' action towards sustainability. All these easily-implementable cost-effective nudges provide an additional communication tool that may use social dynamics to change corporate practices in a cost-effective way.

Overall, in the direct communication of losses lies the key to genuine embracement of sustainability driven by stark feelings. In the mindfulness to also draw attention to losses in the aspiration of financial gains of bonuses, pegging loss aversion to 'Pay for Sustainability' remuneration can improve leaders' action towards pro-social, long-term endeavors.

Discussion

Overall, sustainability market pursuit creates lasting societal value for this generation and the following. The contemporary leadership incentivization of sustainability endeavors through attentive payment schemes promises to trickle down into the corporate culture and all employee levels (Würstle & Varges 2023). Future research could add sustainability incentivization on all levels of the corporate hierarchy to substantiate further sustainability potentials on all accounts.

The concrete implementation should become subject to scrutiny in order to identify best practices, management directives as well as communication and evaluation guidelines. As one of the critiques of contemporary sustainability implementation in the market is added complexity, a lean management approach and case-study-based best practices should become areas of future research (Würstle & Leder 2022). Industry-specificities and stakeholder

perspectives could also be investigated in order to find the right tools for making sustainability work in the corporate and finance world. A harmonization and standardization of ESG approaches over different industries as well as between countries could be derived from comparative analysis of sustainability practices in the corporate world. All these approaches should be pursued in a qualitative and quantitative studies of the status quo of sustainability in the corporate and financial sectors with a whole-rounded diversified stakeholder perspectives view.

Future research avenues for the concept of 'Pay for Sustainability' leadership may tap into the wealth of knowledge created by behavioral economists how to decide when to make quick decisions or when to ruminate about choices more sophisticatedly (Kahneman 2011; Puaschunder 2022). Directly aligning leadership skills with sustainability vision could become a vibrant field of leadership and management trainings that set out clear goals and decision-making strategies how to plan under heightened uncertainty.

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