

Compensation and Talent Governance Network

CTGN

SUMMARY OF THEMES

Compensation chairs discuss accomplishments and goals

The past year presented boards and compensation committees with many challenges. Some allowed for creative solutions, while others have lingered into 2022. For many CTGN members, 2021 was a year in which their committees took a more detailed and holistic approach on issues related to their company's workforce, from frontline workers all the way to the CEO. Looking forward, network members anticipate doubling down on their efforts to oversee their company's talent strategy.

On February 2, 2022, CTGN members reflected on their accomplishments in the past year and shared their ambitions for 2022.¹ *For a full list of meeting participants, please see the appendix on page 3.*

The discussion centered on the following themes:

- **The pressure to source and enhance talent will not abate.** As companies reassess their strategic objectives, many have concluded that they need to enhance the digital skills of their workforce. Many of the capabilities that they covet are in short supply. Members acknowledged that traditional approaches to recruiting and compensation are no longer enough to woo in-demand employees. One member said, *"In 2021, we successfully hired high-level external tech talent that we never thought we could get. But we had to do one-off compensation packages to get them."* Some committee chairs are struggling with how to compete for new talent without creating discontent among critical legacy employees who may not have the same market value. One solution is to invest in training programs that help legacy employees transform their careers. One member stressed that new skills do not always have to come from outside the organization: *"We need to address the supply issue by changing our hiring criteria and enhancing internal training. It's a cost to the company, but it's different than just continuing to put money into wages to lure talent from the competition. Especially when we don't have enough skilled people in the marketplace altogether."* Members added that workforce equity has also become a critical focus area for their companies and committees. One said, *"The war on talent for women and people of color is particularly acute. It's critical to look at pay equity and retention themes generally to win the talent war."* Many are asking management to provide more data on the compensation of underrepresented minorities relative to their peers. Analyzing this data and providing corrective action can be a challenge, especially for companies with global workforces, as it is difficult to compare pay from region to region.
- **Committees are looking deeper into the talent ranks than in years past.** Compensation committees focus most of their attention on the executive ranks, as is their mandate, but in

2021 many members dug deeper into the organization. Compensation chairs are asking for more transparency on high-profile hires in the mid-ranks of the organization. One member said, *“We want to be sure the talent coming in at these levels have the skills we need for the future of the business.”* Others said that their committees went out of their way to ensure that the company was demonstrating its appreciation of the workforce. One member said, *“We gave additional time off for well-being and granted stock to a large number of non-executives to enhance the employee relationship with the organization.”* Another reported rewarding frontline workers *“by doing extra in terms of compensation and benefits, a practice we hope we can keep moving forward.”*

- **Industry disruption makes peer group evaluation more challenging.** As technology disrupts traditional industry norms, compensation chairs are struggling with how peer data should influence compensation decisions. While most felt it was important to keep an eye on the performance of disruptive companies, few advocated including them in their compensation peer groups. One member shared their committee’s approach: *“We use relative TSR [total shareholder return] as a modifier in our long-term plan. We don’t include the disruptors in our peer group, but we check their disclosures every two years to see how their pay compares to ours.”* Some members said that the presence of disruptors—and the challenge they place on peer group construction—has caused them to rethink their reliance on peer data altogether. Meridian’s Ms. Leckie supported this reconsideration: *“When you want to use relative TSR but find yourself faced with challenging peer group decisions that have no good answer, it might be a good time to look at other metrics or milestones necessary to transform the company as opposed to relative TSR.”*
- **Successful successions require careful planning.** CTGN members said that even as boards focus on the broader talent picture, CEO succession remains one of their most important tasks. A successful succession process requires constant attention from the board. Several CTGN members said that enlisting third parties to assist with these plans early in the process can give compensation committees more confidence in the ultimate outcome. One member discussed the need to plan for both the long term and the short term: *“It’s so important to make sure you are never unprepared for the unpredictable. We had an unexpected CEO change, and we were ready with two internal candidates to step in immediately. The process ran seamlessly despite the circumstances.”* Others shared some of the challenges that they face in succession planning as the pandemic persists. One said, *“We aren’t meeting in-person as much as we used to, and I think this makes a CEO transition that much harder to judge ... You don’t have the old ability to get the smell and feel of the place.”*

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Appendix: Meeting participants

- Stephanie Coyles, Sun Life Financial
- Jevin Eagle, Carter's Inc.
- Tony Earley, Ford
- Helene Gayle, The Coca-Cola Company
- Lisa Gersh, Hasbro
- Mirian Graddick-Weir, Booking Holdings
- Marianne Harris, Sun Life Financial
- James Johnson, Ameren
- Annette Leckie, Meridian Compensation Partners
- Aylwin Lewis, Marriott International
- Karen Maidment, TD Bank Group
- Meg Porfido, Kaiser Permanente
- Virginia Rhodes, Meridian Compensation Partners
- Laurie Siegel, Lumen Technologies
- Amanda Sourry, PVH

¹ *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made before and during meetings are not attributed to individuals or corporations. Guests, however, have given permission for their remarks to be attributed. Comments by guests and network members are shown in italics.