

CTGN 2023 Year in Review

January 2024

The work of compensation committees has never been more critical or more difficult. [The Compensation and Talent Governance Network \(CTGN\)](#) is a select, invitation-only group of committee chairs, members, and Chief Human Resource Officers from leading companies in North America. Members meet for private discussions about executive compensation, human capital oversight, management succession planning, and other relevant matters. Tapestry Networks orchestrates the CTGN, building on nearly two decades of experience convening board leaders for meaningful conversations designed to yield practical insights. Meridian Compensation Partners' leaders participate as members to provide technical expertise and industry knowledge.

The dynamic combination of the expanding the role of the compensation committee, an unpredictable talent landscape, increasing CEO departures, and shifting regulatory and stakeholder expectations generated a range of challenges for compensation committees. Members' committees have taken a more detailed and holistic approach to human capital management as they have redoubled their efforts to oversee their company's talent strategy, spending more time on their companies' approaches to recruiting and retaining top talent, especially those who add diversity or bring digital capabilities.

The following companies have participated in the CTGN in 2023:

- AIG
- Ameren
- Carter's Inc.
- Celsius Holdings
- Cognizant Technology Solutions
- Energizer Holdings
- Equifax
- Entergy
- Exelon
- Generac Power Systems
- Hasbro
- Kaiser Permanente
- Lumen
- Marriott International
- Moody's
- New York Life
- Norfolk Southern
- PVH
- Raytheon Technologies
- Sun Life Financial
- TD Bank Group
- The Coca Cola Company
- Tyson Foods

Guest Spotlight



Michelle Edkins
BlackRock



Keith Sonderling
EEOC



Lyndon Taylor
Heidrick & Struggles

Key Themes

The evolving role of the compensation committee. The mandate of compensation committees has expanded to include the oversight of human capital management priorities like corporate culture, the recruitment, development, and retention of talent, leadership development and succession, employee mental health, and DEI initiatives. Most committees have set aside at least one meeting a year to focus on these issues, and some have more frequent discussions on these topics. *“Every quarter there’s a balanced agenda that brings these issues forward,”* said one director. One of the most pressing issues is culture and associated risks, and participants have worked to bring more simplicity to board reporting: *“We pushed the company to develop a culture dashboard because there’s so many inputs into culture.”* Board integration and collaboration on these topics is crucial for management, with one participant observing, *“It’s been important to have a nexus that works with management on a growing set of topics. So many things are sitting across multiple committees.”*


Effective CEO succession and leadership development planning. Members agree that effective CEO succession is a long-term process that connects closely to broader leadership development planning and takes a broad and deep view of an organization to identify emerging leaders early in their careers. Effective leadership development links to broader business strategy by asking, *“Where and who is the business going to be three years from now? Are we evaluating talent from the perspective of the future rather than where we sit today?”* Members identified key characteristics of effective CEOs, including flexibility, adaptability, and a learning mindset; a capacity to inspire teams and develop future leaders; and the ability to communicate effectively with both internal and external stakeholders.

Recent meeting topics

- [Leadership development and CEO succession planning with Lyndon Taylor, Heidrick & Struggles](#)
- [Dialogue with the EEOC’s Keith Sonderling current priorities and expectations for boards regarding human capital management and member discussion on executive compensation](#)
- [Dialogue with Michelle Edkins, on BlackRock’s approach to investment stewardship and its current priorities](#)
- [Compensation chairs discuss accomplishments and goals](#)

Effectively linking pay to performance. Compensation committees, investors, regulators, and other stakeholders continue to emphasize the importance of linking executive pay with firm performance and value creation. This increasingly includes nonfinancial goals as part of performance objectives and incentive compensation, and committees are working to ensure that such goals are sufficiently rigorous and tied to core values and business strategy. The SEC’s new pay-versus-performance disclosure rules underscored the difficulties of this task, and companies faced significant challenges in complying. *“Aligning pay with performance is a difficult concept to talk about. Every way you look at this analysis is flawed,”* said one member. Even answering the simple question of how much the CEO is paid can be difficult: *“We did this analysis and came up with three different measures for CEO pay,”* one member said. Despite the challenges, one director pointed to the value of establishing standard disclosures around pay and performance: *“If we can get through this, over time we may come up with data that can lead to more effective way of measuring and comparing pay and performance.”*

Aligning compensation and talent strategy with business objectives. Members’ committees are working to ensure their organizations have a talent and compensation strategy that promotes business objectives and overall corporate strategy. One member noted, for example, one of the goals for the compensation committee was *“to adjust the compensation strategy to fit with a new five-year plan for growth and becoming a service-driven organization.”* Another member noted, *“the committee is making sure that the talent and organizational aspects are aligned with where the business is going.”* This extends to CEO succession planning and leadership development, as directors are working to ensure the organizations identifies emerging leaders who can most effectively drive future strategy.



Tapestry Networks brings world-class leaders together to tackle complex challenges and promote positive change through the power of connected thinking.

CONTACT

Marsha Ershaghi Hames, Partner
 Tapestry Networks
mhames@tapestrynetworks.com