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CTGN SUMMARY OF THEMES

Compensation and talent chairs discuss key challenges and goals

December 2025

On December 9, 2025, members of the Compensation and Talent Governance Network met to reflect on their committees' accomplishments and challenges from 2025 and discuss emerging priorities and goals for 2026.[1] ***For a list of meeting participants, see page 5.***

Reflecting on the past year and looking forward to the next, members continue to focus on key executive compensation priorities: effectively aligning pay with performance and building shareholder value, retaining key talent, and linking strategic and operational compensation objectives.

Members discussed several key challenges and goals in their compensation and talent strategies:

- **Implementing AI as a performance driver.** Driving AI adoption is a top priority for boards as they seek to capture both efficiency gains and growth potential. *"We've implemented AI across our company and prioritized it in both internal productivity and customer product development,"* one member said. Some organizations face distinct challenges and opportunities. For industries facing labor shortages, the capacity for AI to enhance existing workers' productivity is crucial to closing looming talent gaps, while investors are watching companies in the tech space closely to see who will emerge as leaders. *"Investors are extremely skittish about who's going to be winners and losers in the AI race,"* one member said, which puts pressure on some companies' share prices. *"I think a lot of tech companies, other than the big seven, are being punished in the market because of this skittishness. When your stock price goes down because of that, it creates a host of compensation issues."* While boards are pushing management teams to prioritize AI deployment, AI is not yet tied to performance metrics or compensation. As one member explained, *"We don't use [AI] as a separate compensation metric. We know that AI improves performance levers,* *which drive overall organic growth. If you succeed in AI, it will show up in growth*."

- **Addressing AI's workforce implications.** Boards are increasingly focused on the workforce implications of AI as companies assess how productivity gains may reshape roles through automation, restructuring, and transformation. One member described a three-part framework for how AI affects work: it can increase output in existing roles, allow employees to focus on higher-value tasks alongside their current work, or fundamentally change jobs in ways that reduce headcount while requiring companies to reskill certain employees. Members underscored that AI is not just a technology issue but a culture issue, and they expect AI adoption to follow a distribution curve where some employees will embrace change, some will resist, and the majority will be receptive if their concerns are addressed through appropriate messaging. *"We have to remove the drudgery of work to avoid frightening employees and instead create excitement around new capabilities,"* a member said. *"The commitment message matters to employees. We must make clear that our primary responsibility is to them, not to job reductions, and that as AI reshapes roles, thoughtfully planned job changes can be as impactful for retention and engagement as traditional promotions,"* another member emphasized.
- **Prioritizing effective succession planning across the C-suite.** As the pace of CEO turnover continues to rise, boards are prioritizing continuous succession planning. *"You have to start thinking about CEO succession on the CEO's first day,"* a member said. Members acknowledged that CEOs can be reluctant to engage in discussions about their own succession, particularly early in their tenures, making it necessary for the board to work closely with the CEO to encourage her or him to take ownership of the process. *"We've reached the point where the CEO is taking ownership of the succession process and running new candidates through their profiling system,"* a member explained. Members discussed good practices, including establishing a CEO profile, assessing direct reports against it, and creating tailored leadership-development plans for potential candidates. An extended and robust succession process requires careful management and clear communication to prevent rivalries and other negative impacts on the culture from developing. *"The board and CEO have to communicate behavior standards for candidates and make it clear that you are not setting up a horse race, that this is about gathering information and developing management,"* one member emphasized. Succession planning goes well beyond the CEO. Matt Turner, managing director at Pearl Meyer, noted that with the median age across the C-suite increasing, broader executive succession has become a top priority, and members agreed that visibility into the leadership pipeline deeper within the organization is critical for boards.
- **Reframing diversity, equity, and inclusion (DEI) metrics and messaging.** Ed Steinhoff, managing director at Pearl Meyer, shared that company DEI strategies haven't materially changed, but firms are adjusting communications to mitigate

reputational risk by avoiding any language that might indicate preferential treatment for specific groups. *"There has been a repositioning,"* he said, and *"rather than referring to DEI externally, many organizations are talking more about inclusion and belonging."* Shifting approaches to DEI are being reflected in compensation plans. Mr. Steinhoff noted that the inclusion of DEI metrics in executive compensation peaked in 2023, fell by half in 2024, and is likely to decline further in 2025. One director said, *"We removed the [environmental, social, and governance]/DEI long-term incentive modifier this year and will use our prior plan design going forward*."

- **Managing return-to-office policies.** An increasing number of companies, including several member firms, are implementing return-to-office policies and evaluating their impact on employees. While productivity and workplace culture are key drivers of return-to-office plans, members also noted that security concerns are shaping attitudes toward fully virtual hiring and onboarding. *"We all thought we could work and hire virtually, but now organizations are more cautious about issuing credentials or providing system access without meeting someone in person first,"* a member explained. Members stressed the importance of understanding workforce needs during this transition. *"Empathy is very important for people who still need some level of remote work based on their personal situation. We are assessing employee priorities and having conversations with management about what this means,"* one member said.

- **Navigating ongoing political and market volatility.** Members noted that persistent geopolitical tensions and shifting tariff policies continue to complicate incentive compensation plans. Mr. Steinhoff emphasized that only a small minority of organizations will exercise end-of-year discretion and that most are relying on the strength of their plan design to withstand uncertainty. He explained, *"A well-designed program is carrying companies through volatility. The focus now is on reexamining metrics to ensure they feel controllable, shifting toward measures less exposed to external forces, maintaining strong relative performance metrics, and adjusting payout curves and leverage to reflect the environment. Those actions will define how organizations navigate uncertainty going forward."*

- **Adjusting to shifts in investor communication.** Members noted that Institutional Shareholder Services and Glass-Lewis are moving away from standardized approaches to their voting recommendations and toward more investor-specific recommendations, complicating boards' line of sight into how their shareholder base might evaluate their compensation plans. At the same time, new Securities and Exchange Commission guidance aimed at discouraging large investors from exercising influence over companies is limiting engagement and opportunities for companies to hear from their investor base. Mr. Turner suggested that the old idea that *"you want to be responsible for more than 50% of the communication in any exchange,"* might need to be *"closer to 100% going forward."* He continued, *“Investors are a little more silent than they have been in the past, especially around executive compensation, so the onus has shifted to the company to make their story as clear and transparent and understandable as possible.”*

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

Appendix 1: Participants

The following members participated in all or part of the meeting:

Noni Abdur-Razzaq
Associate
Tapestry Networks

Eric Baldwin
Executive Director
Tapestry Networks

Anne Chow
Compensation and Talent Chair
3M

Carolyn Everson
Compensation and Talent Chair
Coca-Cola

Aylwin Lewis
Compensation Chair
Marriott International

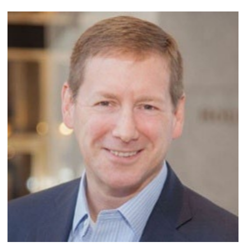
Helena Pagano
Executive Vice-President, Chief People and Culture Officer
Sun Life

Matt Ryan
Compensation Chair
Kaiser Permanente

Alan Smith
Senior Managing Director and Chief Human Resources Officer
Invesco

Ed Steinhoff
Managing Director
Pearl Meyer

Laura Thatcher
Compensation Chair
Roper Technologies



Matt Turner
Managing Director
Pearl Meyer

Endnotes

[1] This *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 are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.