

COMPENSATION + TALENT

GOVERNANCE NETWORK

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 from some of the largest companies in North America. Members meet for private discussions about compensation, human capital oversight, management succession planning, and other relevant matters. Tapestry Networks orchestrates the CTGN, building on nearly two decades of 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.

Year in Review: 2021 Reflections

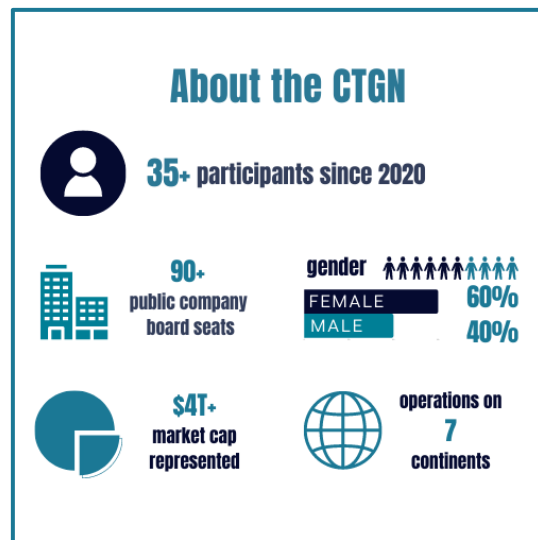
CTGN members met virtually on six separate occasions in 2021 to glean insights from subject matter experts and peers. The dynamic combination of an ongoing pandemic and a volatile economy created new challenges for them.

At the outset of the year, members expressed the acute pressure their boards were under to assess the emerging environmental, social, and governance (ESG) landscape. As the year progressed, and that pressure continued to mount, members shared their efforts to establish ESG goals that were tangible, measurable, detailed, and linked to strategy. At the same time, the pandemic introduced new stressors on employers and the workforce. Many people altered their expectations of employers; millions ultimately left their jobs for new opportunities leading to labor shortages. It is therefore not surprising that the talent agenda has become an even more central component of the board's agenda. Directors are spending more time on their companies' approaches to recruiting and retaining top talent, especially those who add diversity or bring digital capabilities. Economic uncertainty, with supply chain shortages and growing inflation, only added to the complexity that CTGN members' board and committees faced.

Looking ahead, as health, economic, employment, and leadership crises coalesce, the CTGN will convene dialogues in 2022 to address the ongoing shifts in the compensation and talent landscape.

Key Themes

Committees are focused on how to measure and pay for performance on environmental and social goals. CTGN members are proceeding thoughtfully as they consider whether to include nonfinancial metrics in their performance plans. One asked whether stakeholders *"want to see movement away from compensation plans that are formulated based on hitting the financial objectives, to more balanced scorecards that include ESG metrics and more informed judgement on behalf of the board?"* Investors stress that a link between pay and financial performance is still critical, and they encourage committee chairs to get comfortable using a mix of traditional and new metrics. They also shared their desire for more information about company and board decision-making practices around pay—especially as it relates to ESG performance—and noted that they are more deferential to boards that voluntarily tell their stories.



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Companies test new strategies to recruit, retrain, and retain a diverse talent base. The pandemic reinforced the importance—regardless of industry—of a comprehensive digital strategy. In some cases, this requires creative approaches to recruiting and compensating digitally-skilled employees. While digital talent is essential, members cautioned against creating special compensation plans for large groups of people. One said, *“Think hundreds rather than thousands. This effort should be focused on creating the new crown jewels.”*



Guest Spotlight

[Michael Bramnick](#), NRG Energy

[Rachel Carlson](#), Guild Education

[Maher Colaytat](#), State Street
Global Advisors

[Drew Guevara](#), Morgan Stanley

[Yumi Narita](#), New York City
Comptroller’s Office

[Sonya Sepahban](#), OurOffice

[Colin Stewart](#), Morgan Stanley

[KimArie Yowell](#), Rock Central

Committee chairs are keenly aware that as the pandemic subsides and managers reassess their work-life balance, it will take more than just competitive incentive plans to retain talent. One said, *“You still have to pay big bucks for talented people, but people are also more focused on things like location, access to childcare, and other factors that may not have been as much of a priority in the past.”* Given today’s tight labor market, companies are getting creative in their approach to investing in their existing workforces through upskilling, reskilling, on-the-job training, and mentorship. This is necessary because, as one expert shared, *“Many Americans don’t have the skills to have a family-sustaining wage 5 to 10 years from now.”* Simultaneously, companies are feeling significant pressure to ramp up diversity, equity, and inclusion (DEI) initiatives. An expert recommended that companies and boards *“link business objectives to DEI in a way that lets people see the connection. Then communicate the objectives broadly to help align actions as they try to do good things.”*

Economic volatility and inflation make long-term planning more difficult. The variability in the macroeconomy makes this a particularly difficult time for companies and boards to make long-term plans or investments. Likewise, constrained supply chains and other disruptions are causing tension between some boards and management teams. One committee chair said, *“We are looking at our curves and will try to minimize the market risk by putting more protection on the downside, but probably less opportunity on the upside, as a counterbalance. It’s causing us to think hard about how to align the compensation approach with the business strategy.”* CTGN members shared that their committees are also exploring other ways to reduce pay volatility, especially in long-term incentive plans (LTIPs). One said, *“Setting three-year goals for the LTIP just isn’t possible in our industry right now. We shifted to single-year targets over a three-year period.”*

Recent Meeting Topics

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- [Keeping pace amid rapid change](#)
- [New realities for the modern workplace](#)
- [Investing is key to long-term success](#)
- [Leading practices in executive compensation](#)

Tapestry Networks is a privately held professional services firm dedicated to helping leaders – directors and boards in particular – do their work more effectively.

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