

NOMINATION AND REMUNERATION COMMITTEES

Trending Towards Confluence or
Divergence?



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EXECUTIVE SUMMARY

Undoubtedly, Nomination and Remuneration Committees play an important role in the board's work, whether as single or joint committees. There appears to be a trend towards convergence, where most committees that our respondents sit on are integrated with each other or as part of the broader governance committee. Our survey indicates that there is a strong alignment of the committees with the strategic goals of the business. With boards taking a long-term strategic view for directors' renewal. Risk management is evident in the respondents' replies. We can clearly identify that the committees are levers for risk, where nomination is both a strategic and leadership effectiveness risk and remuneration is both a reputational and performance risk. Remuneration, particularly for listed companies, has become a major reputational risk over the past few years.

We have identified five main challenges faced by the Nomination and Remuneration Committee that respondents have highlighted. Integrating and aligning ESG and diversity topics remain unresolved. While accessing talent continues to be an issue, particularly with the spiraling compensation levels required to attract the best talent. Succession planning is becoming even more challenging both

from a talent and an increasingly complex regulatory environment. This complexity is leaking into remuneration practices. The work of members of these committees is similarly growing as members have to keep up with evolving practices and benchmarks. Finally, maintaining an independent and objective approach and fighting biases continue to be an issue for committee members.

On the positive side, we noted four enablers. Closer collaboration by building trust and encouraging diverse perspectives are seen as a foundation for achieving the committee's goals. So too does having an experienced leader chair the committee who can ensure consensus is reached within the committee and cohesion with stakeholders. Positive coordination with the larger board enables the Nomination and Remuneration Committee to enjoy greater support to be both efficient and effective in its work. Finally, the outcomes of that work should be in strong alignment with the company's strategy and long-term planning to achieve effective outcomes.

FOREWORD

The scope of work and expectations on board directors have evolved considerably over the past two decades. Given the evolving global economic uncertainties, geopolitical tensions, and shifting societal and regulatory demands, boards of directors are under immense pressure and scrutiny to reflect and relook at how they can effectively organize themselves to better address the growing complexities in the business landscape amid waves of disruptions and emerging risks.

Increasingly, the nomination and remuneration committees have come under the spotlight as investors, proxy advisors, shareholders, and activists expect greater accountability and transparency in their functions.

Future-ready boards need to recognise that the speed of change and complexity of the business paradigm demands new leadership mindsets and attributes to navigate the external forces and engage with stakeholders. Board nomination committees need to identify the systems, tools, and processes for recruitment of new board members with the right fit to the organisational mission, corporate strategy, and business model along with considerations for diversity in competencies and gender representation. Likewise, the remuneration committees need to position executive salaries and compensation packages to find balance in

the pursuit of purpose, impact, and performance which includes integrating ESG and sustainability factors in their incentive structures.

To study the trends and outlook for board nomination and remuneration committees, the INSEAD Corporate Governance Centre collaborated with Eric Salmon & Partners on this research study to collect insights on the changing structures and functions of board nomination and remuneration committees and the strategies employed to address emerging issues.

As the board's responsibilities continue to expand, it is clear that board committees' strategies must evolve to address new challenges effectively. This report aims to inspire and inform nomination and remuneration committees on best practices, fostering greater synergy as they execute their functions and sharpen their tools for effective governance.

RESEARCH RATIONALE AND METHODOLOGY

Introduction

Nomination and Remuneration committees play important roles on boards, whether single or joint. Increased expectations from shareholders and society reinforce the call for nomination and remuneration alignment with the company's governance and long-term strategy. Nominations committees are more than ever expected to ensure timely and advantageous succession able to address future strategic challenges. While the media, shareholders, and stakeholders are closely scrutinizing the remuneration committee, demanding transparency on executive pay as well as demanding demonstrable impact from those executives on progress and performance against expectations.

In this context, it is timely to look at the emerging trends and evolving practices of existing remunerations and nominations committees. To understand the pressures facing these committees and how they are adapting and coping with increased scrutiny both from within and from external forces.

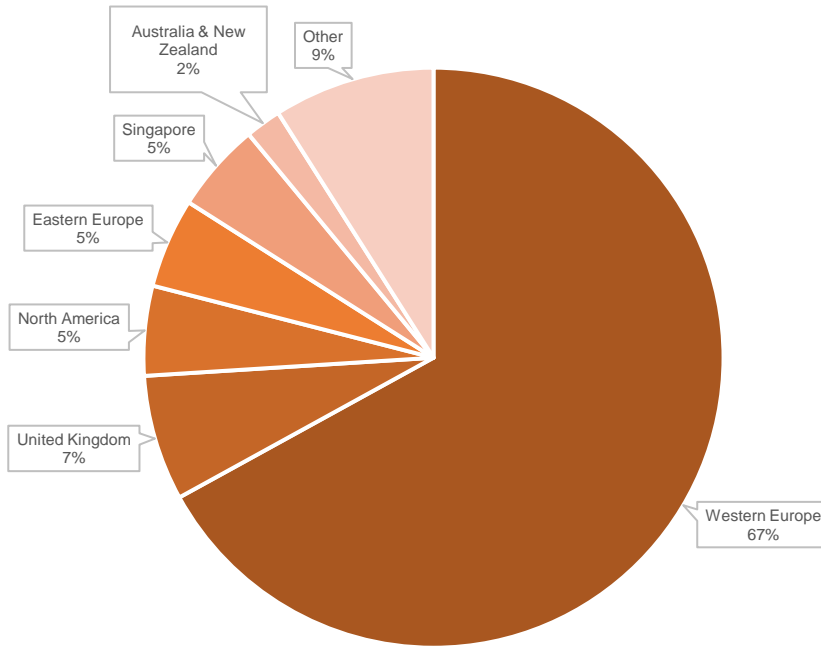
directors on Nomination & Remuneration Committees with the overall aim to examine the emerging trends and understand how Committees' practices are changing in a context of increased pressure and if they are trending towards convergence or divergence.

The survey was conducted in October 2022 where chairs, committee chairs, board members from INSEAD's corporate governance programs alumni and Eric Salmon & Partners, as well as subject matter experts and advisors to boards, shared their experience and opinions.

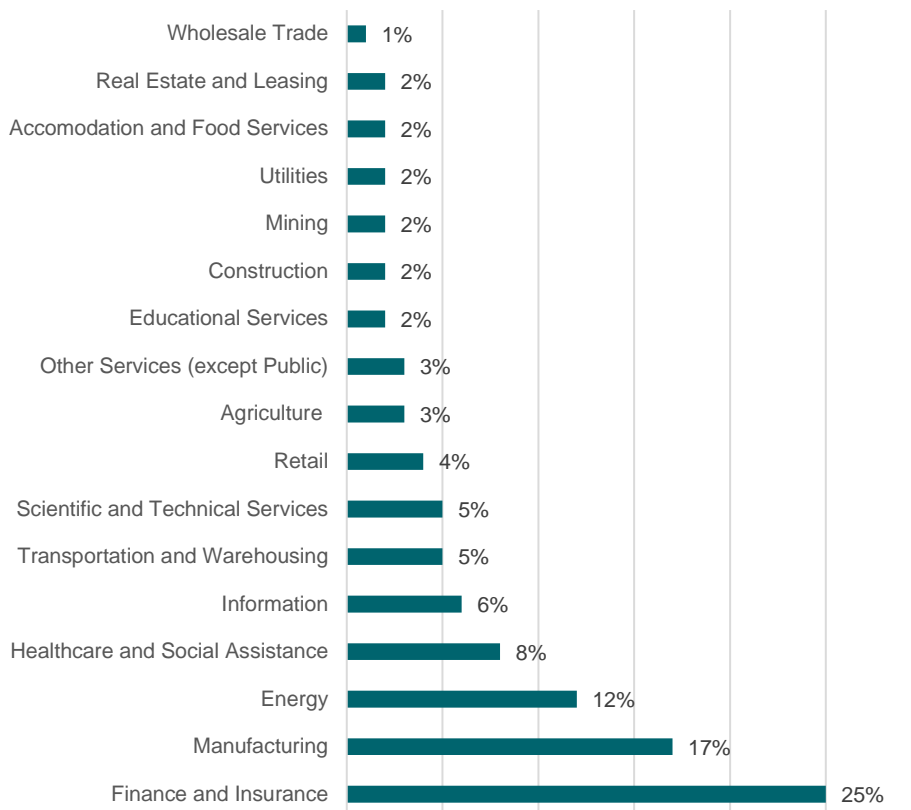
We asked respondents to answer about 50 questions regarding the practices of remunerations and nominations committees on the board in which they were currently serving. We received 261 responses from 41 countries. Companies headquartered in North America, the United Kingdom, and Western Europe account for 79% of completed surveys.

The survey and responses

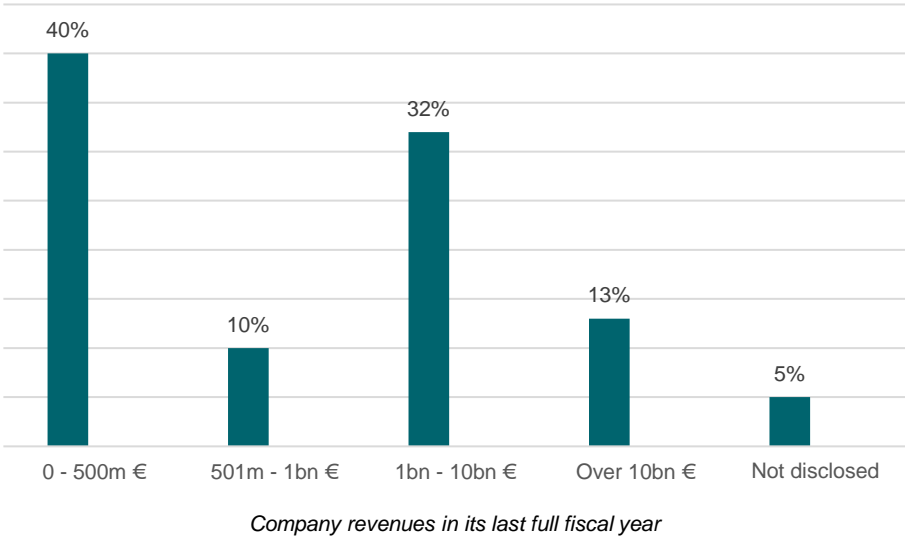
The INSEAD Corporate Governance Centre and Eric Salmon & Partners conducted a global survey of board



Our sample covers a wide range of industry sectors with finance and insurance, manufacturing, energy, healthcare and social assistance and information being the more represented:



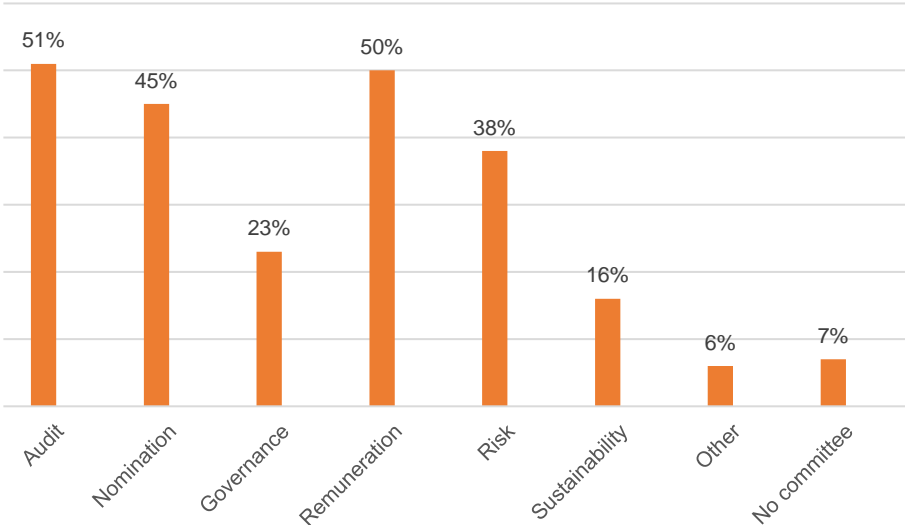
Directors from companies of all sizes (in terms of annual revenue) participated:



In terms of board functions, over half of the respondents were non-executive directors (130). They sit on a range of board committees, with remuneration, and nominations being the most common, and audit as the third most common. Under a third sit on a risk committee, which in many companies is not a separate

committee but combined with the audit committee. Most respondents collaborate with the audit (51%) and risk (38%) committees. For Nominations and Remuneration committees that are separate entities, they also collaborate with each other (remuneration 50%, nominations 45%).

Board function backgrounds of respondents



Considerations for interpreting our findings

Of course, our research is not exhaustive. We focused on the governance and structure of nominations and remunerations committees attempting to understand their workings and particularly regarding the wider board. While several areas could have been further explored, such as the intersection of executive compensation and strategic targets such as ESG or DEI, this is a pioneer exploration of a most relevant committee or set of committees, but still not as well-known as they deserve. For example, we found that respondents indicated that only 40% of their Nomination and Remuneration Committees played a role in aligning C-suite remuneration with strategy and incentives including ESG targets. While only 29% of respondents said that their committees play a role in championing DEI issues from the boardroom. These two areas are ripe for further exploration in future surveys.

Recommendations and thanks

The practical recommendations with which we conclude the report are based not only on our own professional and research experiences (at the INSEAD

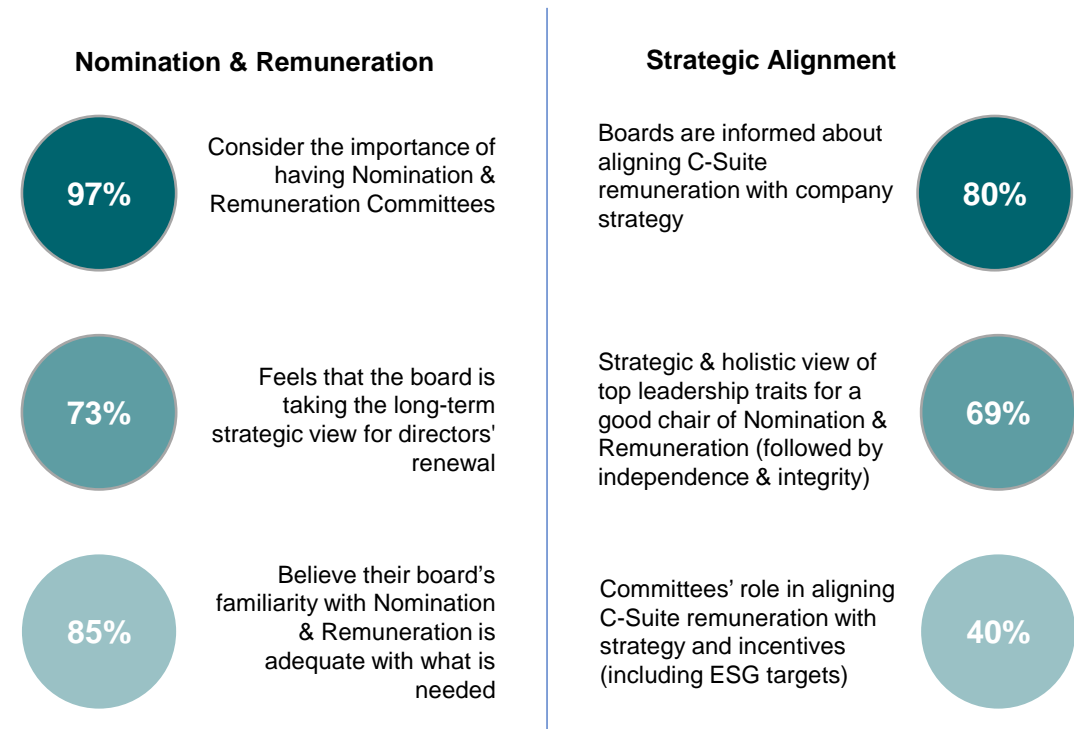
Corporate Governance Centre, Eric Salmon & Partners, and beyond) but also on ideas supplied by our respondents. We would like to take this opportunity to thank everyone who completed the survey for their time, honesty, thoughtfulness, and eloquence. We hope that they will take our interpretation of the results in our intended spirit of pragmatism and positivity.

OUR FINDINGS

1. Aligning the nomination and remuneration committee with strategic goals

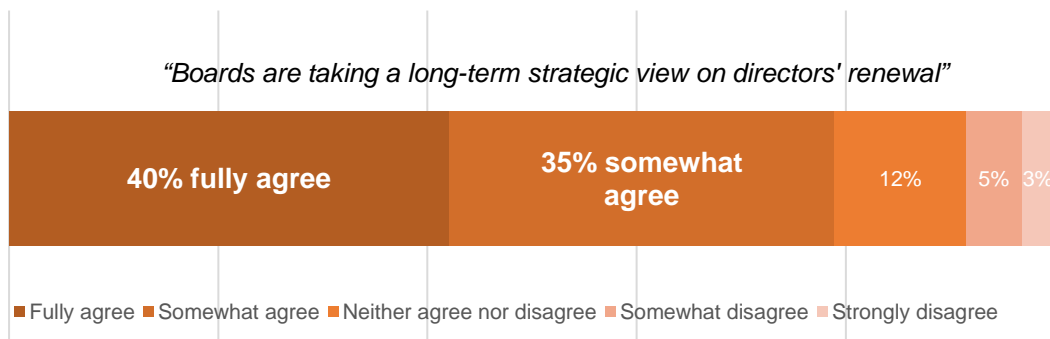
The Nomination and Remuneration Committee, whether independent or integrated, is a fundamental component of the strategic functioning of the Board. Ensuring that the committee is strongly aligned to support the business to deliver on its strategic goals is becoming increasingly important. With this objective in mind, perhaps it is unsurprising that the Nomination and Remuneration Committee's work is firmly on the board's agenda, with 97% of respondents saying it is highlighted as part of the overall work of the board. The majority of respondents report that the committee work is discussed quarterly (65%). While a quarter report that nominations and remuneration is an annual discussion. Yet some boards have far more frequent discussions on these topics. 10% of respondents report that their boards discuss nominations and remuneration on a monthly basis.

Respondents also believe that their boards are taking a long-term strategic view for directors' renewal, 73% of respondents strongly (38%) or somewhat (35%) agree with this statement. While 80% of boards are informed about aligning C-suite remuneration with company strategy, this suggests that boards are being proactive about both nominations and remuneration, taking a holistic view of both these dimensions to achieve the company's strategic planning and aspirations in the short and long term.

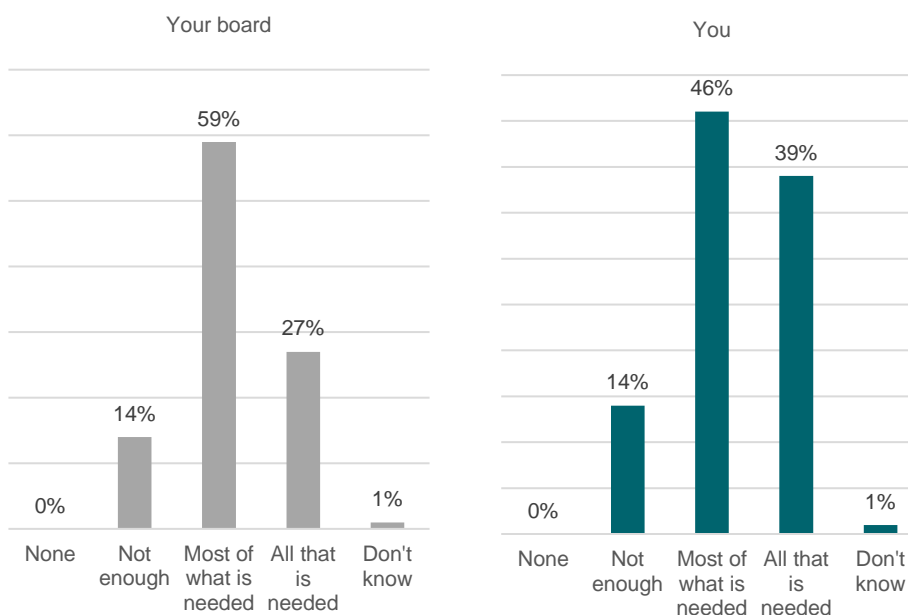


In terms of board function, over half of the respondents were non-executive directors (130). They sit on a range of board committees, with remuneration and nominations being the most common, and audit as the third most common. Under a third sit on a risk committee, which in many companies is not a separate committee but combined with the audit committee. Most respondents collaborate with the audit (51%) and risk (38%) committees. For Nominations and Remuneration Committees that are separate entities, they also collaborate with each other (remuneration 50%, nominations 45%).

Respondents also believe that their boards are taking a long-term strategic view for directors' renewal, 73% of respondents strongly (38%) or somewhat (35%) agree with this statement while 80% of boards are informed about aligning C-suite remuneration with company strategy. This suggests that boards are being proactive about both nominations and remuneration, taking a holistic view of both these dimensions to achieve the company's strategic planning and aspirations in the short and long term.



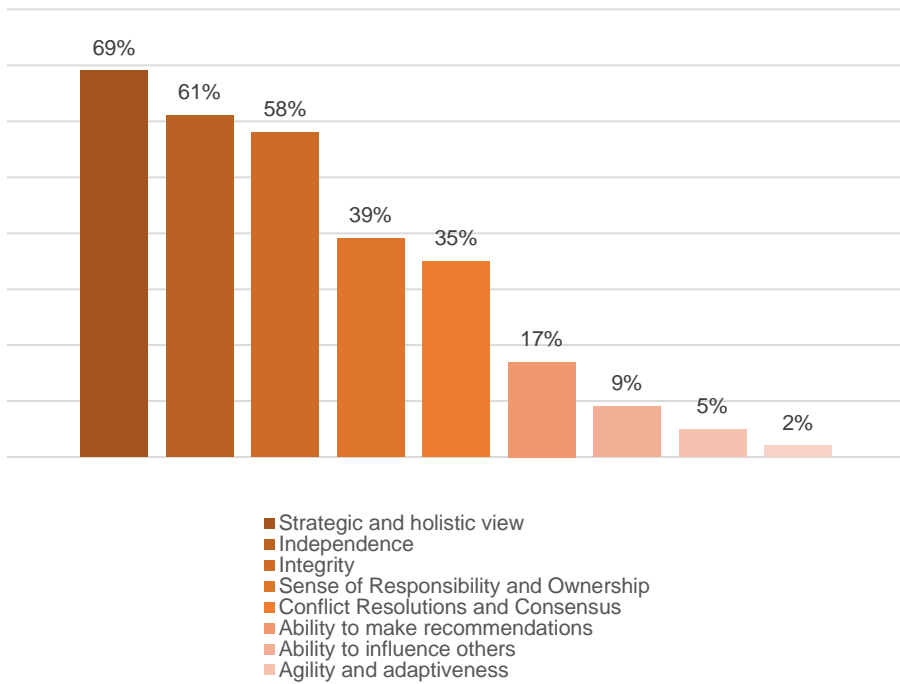
A further aspect of the strategic importance of the work of the Nomination and Remuneration Committee is illustrated in the confidence that board members have sufficient information in these subject areas. 85% of respondents believe that their boards' familiarity with nomination and remuneration is adequate for what is needed. Just over a quarter of respondents believe that their board is familiar with all practices and issues of nominations and remuneration, while 58% believe their board has familiarity with most of what is needed. This contrasts with a higher self-belief that the respondent is personally familiar with all that is needed on nominations and remuneration practices and issues (35%) or mostly familiar with what is needed (50%).



Given the strategic importance of the Nomination and Remuneration Committee, the role of the chair is vital to ensure that the committee is both highly effective and efficient in delivering its remit(s). The ideal chair needs both the experience and appropriate behaviours and leadership traits beyond facilitating meetings and setting agendas, to guarantee compliance with regulations and advise the larger board on matters relating to the committee's work.

Respondents were asked to select the top three leadership traits and behaviours for the chair. A clear message is that the chair must have a strategic and holistic view of the committee's work (69%) and how it relates to the work of the organization to secure its future. Having this capability must also be supported by two character traits - independence (61%) and integrity (58%). It is perhaps not surprising that respondents believe the chair should be someone who must not be partisan. Building on this, respondents select a sense of responsibility and ownership (39%) as being the next important trait for the chair. This finding also suggests that while there needs to be independence over the work itself, respondents believe the chair has a duty of care towards the company supporting its future longevity just as an owner would.

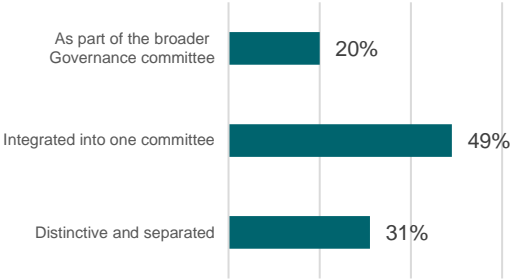
More obvious traits in the chair focus on communications and relationship building, including conflict resolution and consensus building (35%), the ability to make recommendations (17%), and the ability to influence others (9%).



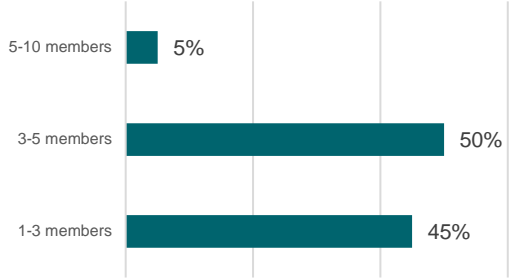
Again, going back to the role of the chair to ensure that the right candidates are identified and put forward for roles, and remuneration policies are in line with market expectations, it is not unsurprising that the chair has to be able to appoint committee members who may have diverse views, to agree and to manage any conflicts that arise.

2. Structure & composition of nomination and remuneration committees

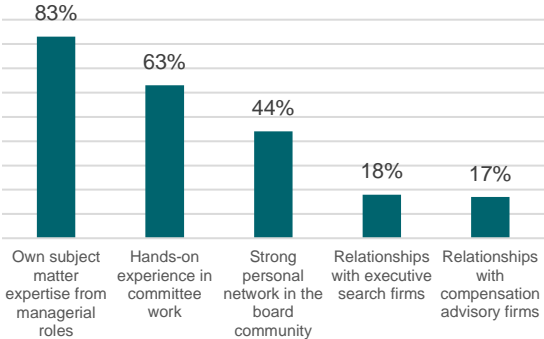
69% Integrated



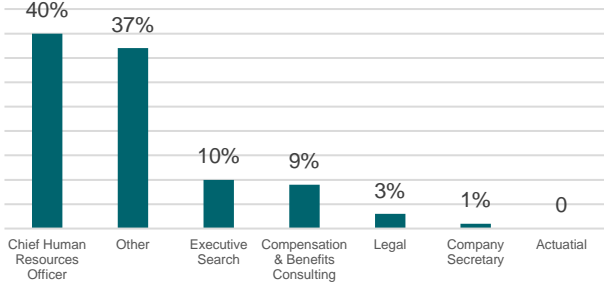
95% Small in numbers



83% Experts in Nom/Com

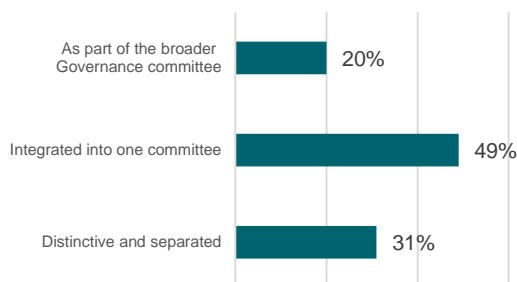


40% CHRO career pattern



Headlines from respondents indicate that most (69%) of the boards they sit on have an integrated Nomination and Remuneration Committee, and these include five or fewer members (95%). Significantly, these committee members are experts in nominations and remuneration topics (85%); being a CHRO is the most suitable career path to sit on the Nomination and Remuneration Committee (40%).

Integration versus separation



There is a clear move towards integration. Nearly half (49%) of respondents replied that the committee they serve on is integrated into a single committee that covers both portfolios or is part of a broader governance committee (20%). Other respondents said the work is separate and distinctive (31%). The latter may also be due to regulations in the particular country that demand separation. The governance of Nomination and Remuneration Committees is in itself an important question and how this fits into the overall governance model of the board. In this study, we find that the overwhelming majority (76%) of integrated committees have a specific charter that they follow. This compares to 81% of nominations-only committees which have a charter and to 84% of remuneration-only committees that have one.

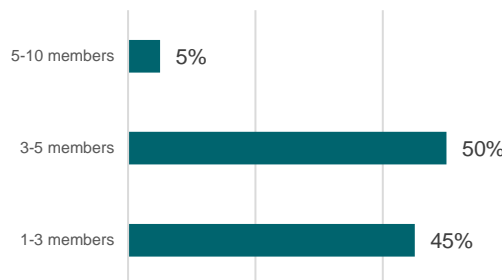
Respondents who sit on distinctive committees, strongly support having separate committees (82%). At least 8% of respondents said that while the committees are separate, there is some overlap or integration in the work undertaken or in cooperation between the two to achieve the overall objectives of having alignment between succession and attractive remuneration to attract talent in the first place. This overlap could further be through committee chairs attending the same meetings, the integration being at the board level, or the overlap of members. Some respondents did not state their arguments why there was a separation but where reasons are given, these can be bucketed into different membership (12.5%), different competencies required (12.5%), separation due to workload requirements of each committee (8%), and the two committees have distinct focuses (67%).

However, where there are separate committees, 15% are open to the idea of integration. With most of these confirm that the two committees cover the same or similar topics and that there would be a gain in strategic alignment at the governance level should they integrate.

Similarly, where there are already integrated committees, it is generally agreed that this is a valuable governance structure due to the close connection of the two topics. The integration enables a holistic and integrated 360° view of strategy, leadership, and remuneration and an end-to-end view of the people aspects of corporate governance. There are also efficiencies in integration from a process perspective in terms of the work to be done, reduction in associated bureaucracy, and generally simplifying the work, as well as requiring similar skills. Boards of smaller companies, however, may lack sufficient members for serving on multiple committees.

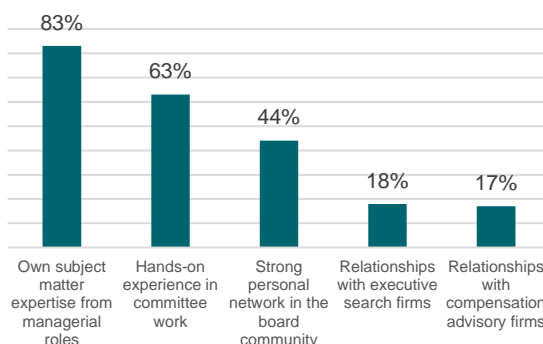
Size

The ideal size of the Nomination and Remuneration Committee is an interesting question, in part because it is a function of the size of the board but also affects the efficiency of the committee. Respondents report that 93% of the Nomination and Remuneration Committees have five or fewer members, while the majority (56%) have between 3-5 members.



Members of these committees are also making a significant commitment to serving on them. Respondents report that the typical tenure term for members of Nominations and Remunerations Committees whether integrated or separate is renewable every 3-4 years (integrated: 62%; Nominations: 74%; Remuneration: 72%).

Career paths and expertise in nomination and remuneration topics



What about board members themselves and their competencies? Nearly three-quarters of our respondents believe that Non-Executive Directors (NEDs) need to have relevant experience and expertise to become board directors. ‘Competencies and hard skills’ and ‘leadership behaviours’ are sought after in NEDs as signalled by 13% and 10% of respondents respectively. Cultural alignment being a requisite is only mentioned by 5% of respondents.

Respondents were asked to identify the top three competencies and experience required for a good Nomination and Remuneration Committee member. Interestingly, subject matter expertise in relevant topics to nominations and remunerations was identified as the most important (83%) with hands-on experience in committee work (63%) as the next most important. This could be because the prior experience would make the work of the committee more efficient as well as effective and make for a less steep learning curve for a new committee member.

In addition, nomination and remuneration processes are tidies and therefore specific expertise in the subject matter would be much helpful in the acceleration and transformation planning. On the other hand, requiring expertise may reduce the pool of available candidates for membership. Something that the chair would have to weigh up.

Delving deeper into the experience of committee members, respondents identified that the most suitable career path and/or professional background is to be a Chief Human Resource Office (CHRO) (40%). Executive search and remuneration/benefits consulting are suggested by 10% and 9% of respondents respectively. Yet, on the other hand, 37% of respondents selected 'other'. Of the 80 respondents who shared an opinion, 17% believe that having been a CEO is an important skill set for committee members. While, along similar lines, 24% said that any CxO role is an important experience to have, particularly if part of their remit was HR or CHRO topics. 39% suggested that general management or senior executive experience is helpful.

Beyond these specific roles, other respondents suggest a variety of backgrounds and experiences that committee members could usefully call upon to help them add value to the committees. These include international experience, communications skills, broad business/industry experience, risk management, legal and human capital, a holistic strategic perspective, and direct experience or knowledge of compensation, nominations, and performance evaluations at the executive level. Again, what we can see here is that, to our respondents, having specialist skills and being a subject matter expert and important to be an effective member of the Nomination and Remuneration Committees.

Complementing the skills and experience of members of the committees, respondents were asked how crucial it is to have an external or internal expert sitting on the Nomination and Remuneration Committees. In both cases, more than half of the respondents agree it is important to have external and internal experts on the committee. Including an external expert is agreed to be either entirely crucial (14%) or very crucial (43%) while including an internal expert is agreed to be either entirely crucial (17%) or very crucial (50%). These results suggest that regardless of the skills and capabilities of committee members, having additional expert opinions is value-adding. Comparatively, very few respondents agree it is not at all crucial, 8% (external) and 5% (internal).

Our study identifies eight nomination/remuneration issues that are important to the effectiveness of the outcomes of the committees.

These include:

- Mapping board recruitment strategy and onboarding process
- Assessing potential nomination risks and opportunities and managing non-performing board members
- Adding new competencies to the current board
- Championing diversity, equity, and inclusion in the boardroom
- Developing remuneration policies and schemes
- Aligning C-suite remuneration with the company's strategy and incentives, including ESG targets
- Benchmarking C-Suite remuneration and market practices
- Developing CEO succession and contingency planning

Combining responses for 'all that is needed' with 'most of what is needed', the picture is somewhat brighter. Together, respondents believe they have 'all' or 'most of what is needed' in terms of information (the range is 74% to 84%). The exception is 'assessing potential nomination risks and opportunities and managing non-performing board members' where 66% of respondents believe they have all (20%) or most (46%) of what is needed.

Conversely, this is the area where the largest number of respondents (27%) say they don't believe their board has enough information.

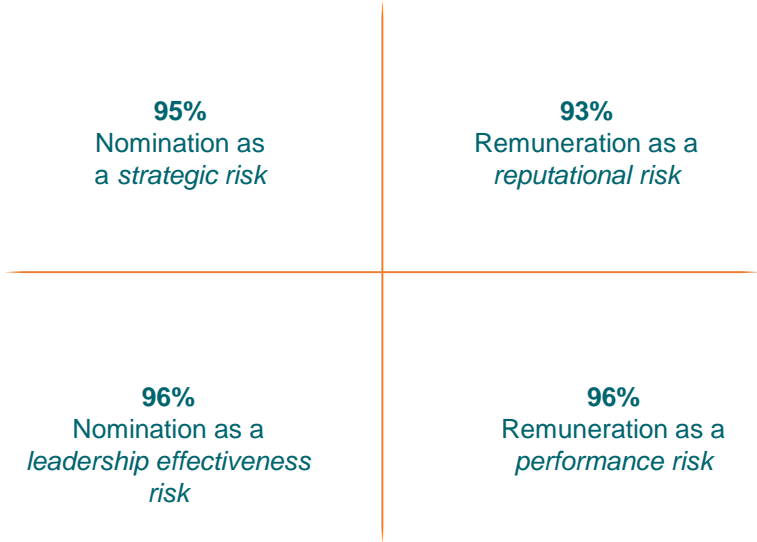
While the number of respondents who believe their board has no information about an area listed ('none') is in the low single digits, a range between 14-21% believes that across some areas, their board does not have enough information. It is of concern that some boards are lacking information in these important areas and might need to consider adding the acquisition of the latest updates, knowledge, and expertise on such matters as part of their board development opportunity.

Respondents were asked to suggest other areas they believe the board could build its knowledge relative to nomination and remuneration practices. These suggestions are remarkably consistent and can be grouped into various areas.

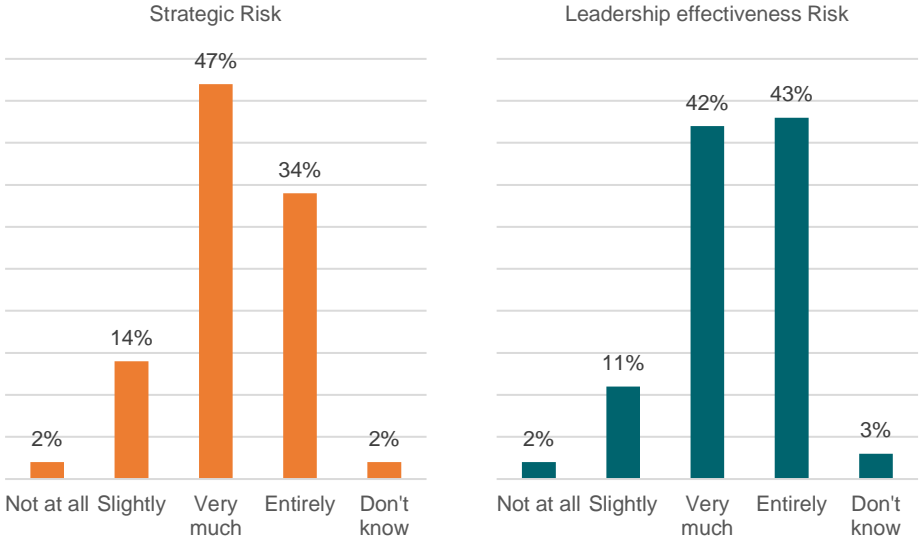
Several respondents mentioned that board members should be actively engaged in reviewing best practices from recognized sources and benchmarks from the market. Including the topics on the board agenda is another way to keep information and knowledge fresh across the board. While others suggested it was important to organize both internal (with HR for example) and external briefings and opportunities for exchanges/discussions, particularly with external peers and experts. Several respondents also suggest training as a good way to bring board members up to date on trends and particularly important topics.

Exploring ongoing knowledge development on nominations and remunerations practices, the two main actions that respondents experience are committee members updating the rest of the board on the latest trends (48%) and board members being individually proactive and ensuring they keep up to date (46%). External opportunities for keeping abreast of the latest trends and information that some boards offer include forums and different learning platforms (29%) and specialized training (20%) and regular in-house training for the full board (10%). Some boards involve external experts including inviting external speakers (14%) and using an external advisory board (13%). Alarming, 17% responded that their board does not ensure ongoing knowledge. For those boards, there is a risk that they will not be up to date with regulatory or trend changes in nominations and remunerations and may suffer therefore.

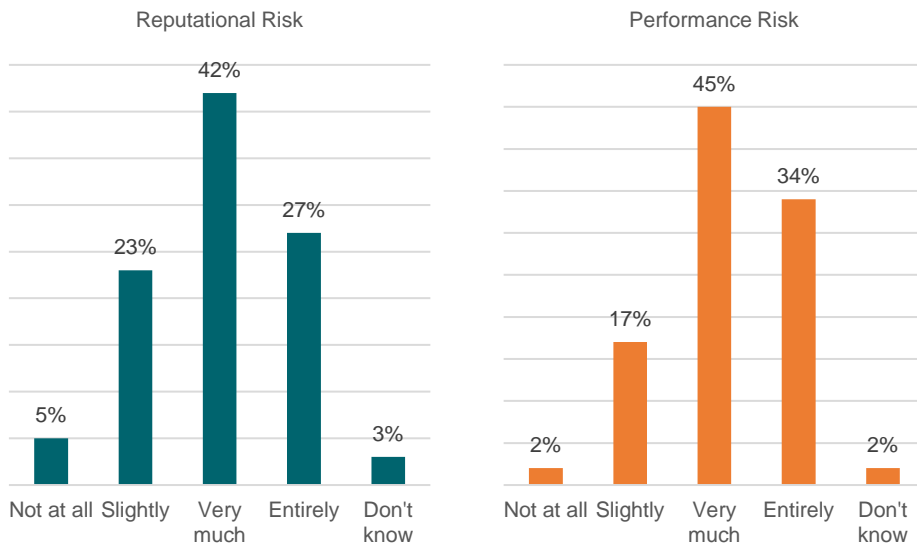
3. Nomination and remuneration committees as levers for risk management



Against a backdrop of identifying, recruiting and retaining/developing talent for succession in a challenging global landscape, it is clear that respondents' boards believe nominations are both a strategic and leadership effectiveness risk for their companies. With 81% responding that they agree that nominations are either very much (47%) or entirely (34%) a strategic risk. Regarding nominations as being a leadership effectiveness risk, 85% agree either very much (43%) or entirely (42%) with this statement.

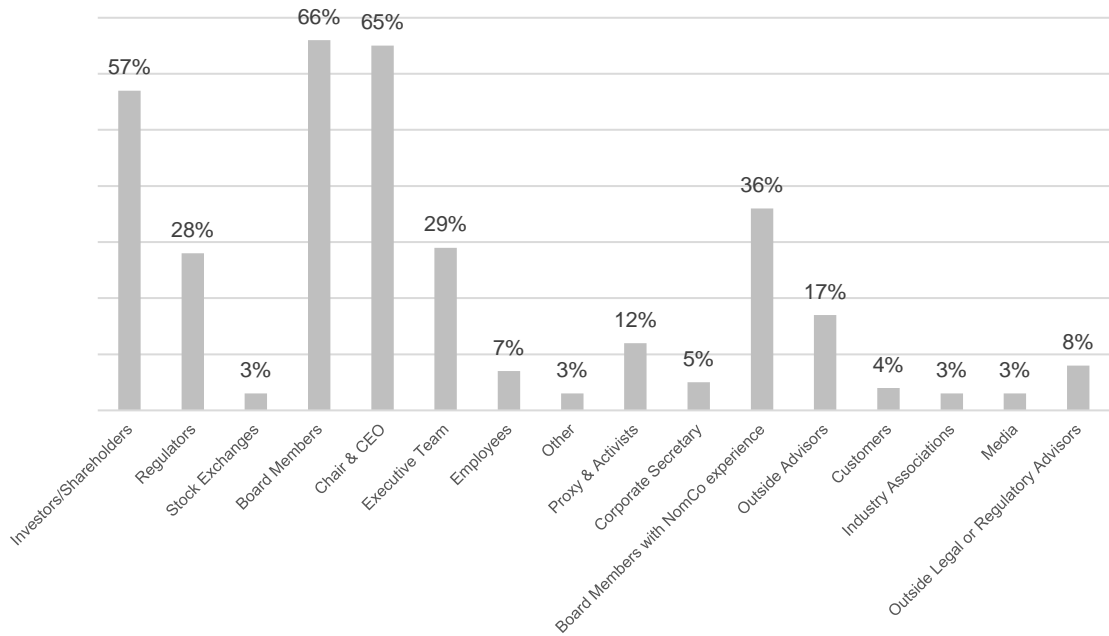


Similarly, in terms of remuneration as a reputational and performance risk, 67% believe either very much (42%) or entirely (27%) that it is a reputation risk. While 79% believe either very much (45%) or entirely (34%) that it is a performance risk. Remuneration, particularly for listed companies, has become a major reputational risk over the past few years.

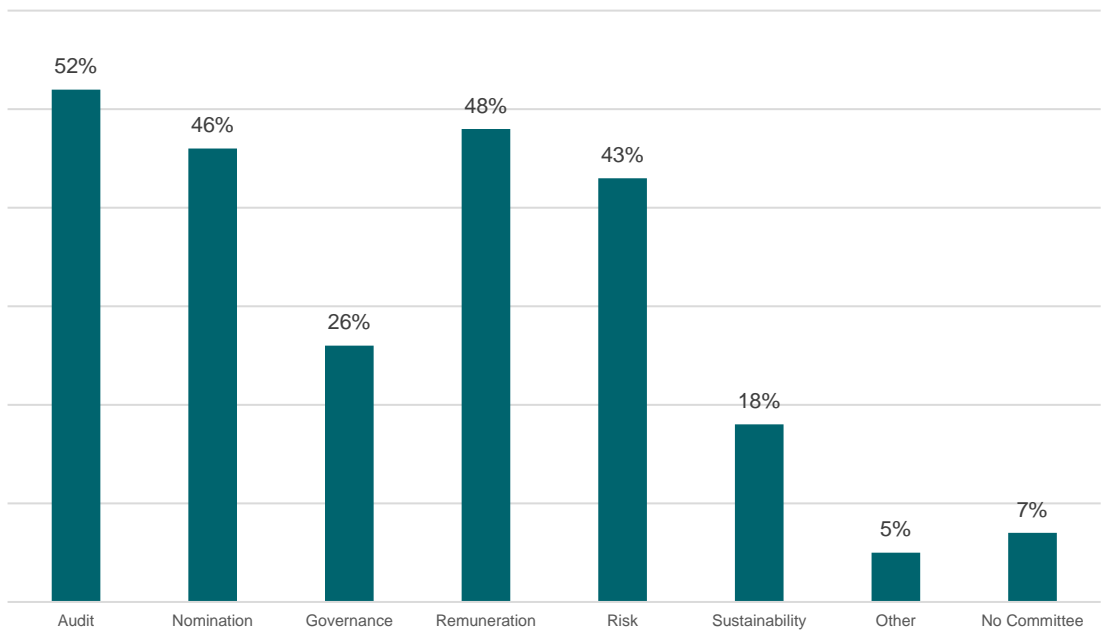


The importance of the Nomination and Remuneration Committee has not escaped the notice of both internal and external stakeholders. Looking across the constellation of stakeholders who exert influence on the Nomination and Remuneration Committee, there are, unsurprisingly, four key stakeholder groups who have the loudest voices – investors and shareholders, board members, and the chair and CEO. Beyond that, the next largest group respondents say influence the committee are individual board members with nomination and remuneration expertise.

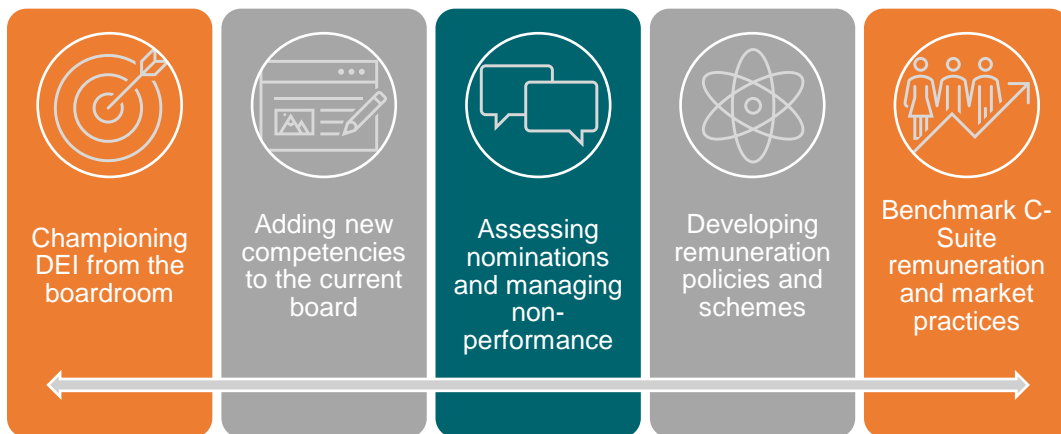
The most influential stakeholder groups identified are perhaps not unsurprising as they are closest to the board. Board members are seen as having the greatest influence (66%) along with the chair and CEO (65%). Beyond these stakeholders, investors/shareholders (57%) and individual board members with relevant experience (36%) also exert influence according to respondents. Other important stakeholder groups include the executive/management team (29%) and regulators (28%). The other groups have far less influence on the work of these committees.



Taking aside separate Nomination and Remuneration Committees, it is the audit committee (52%) that most Nomination and Remuneration Committees collaborate with, followed by the risk committee (43%).



4. Nomination and remuneration committees fostering compliance, effectiveness & transparency



Given the context, it is possible to assume that all Nomination and Remuneration Committees play the same roles, yet responses suggest that they do not have uniform remits. This could be a function of the integration of the committees or simply the size of the board (or company) that determines what role the committee plays.

Respondents were asked to identify up to three roles that their Nomination and Remuneration Committees play. The four roles key roles that respondents identify are:

- o developing CEO succession and contingency planning (51%) which ties into the risk element that has become an important topic;
- o benchmarking C-suite remuneration and market practices (43%); developing remuneration policies and schemes (43%);
- o and aligning C-suite remuneration with the company's strategy and incentives, including ESG targets (43%).

The next 'tier' of roles selected between 25 and 30% of respondents, however, focuses more on nominations activities. These are mapping board recruitment strategy and onboarding process (30%), championing diversity, equity, and inclusion from the boardroom (27%), and adding new competencies to the current board.

5. The four factors influencing C-Suite remuneration in today's governance paradigm

Company Strategy	Market Competitiveness	Stakeholder Voices	Internal Alignment
<ul style="list-style-type: none"> • Compelling vision • Clear purpose • Long-term strategy • Sustainability agenda • Business objectives 	<ul style="list-style-type: none"> • Externalities • Benchmark • Market practices/data • Talent pool • Competencies • Experiences and expertise • Positions 	<ul style="list-style-type: none"> • Shareholders and investors • Board • Customers • Employees 	<ul style="list-style-type: none"> • KPI & objectives • Policies • Schemes and ecosystems • Fairness • Equity

From our study, we believe that four factors are influencing C-suite remuneration today: company strategy, market competitiveness, stakeholders' voices, and internal alignment. These four and their constituent dimensions are increasingly important in the overall governance paradigm for boards in general, and the Nomination and Remuneration Committee in particular.

It appears that Nomination and Remuneration Committees are generally trending towards confluence for synergic human capital management – if not integrated then moving towards closer integration and overlap of support.



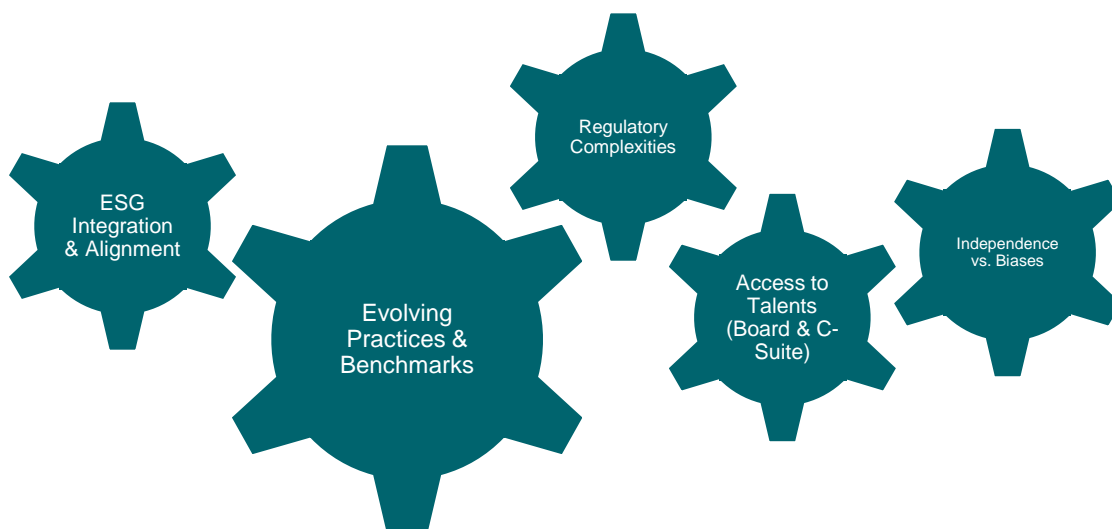
92% of boards are inclined towards synergic convergence of talent matters for an end-to-end view on the "people" aspects of governance

As we see it, there is an overlap in strategic talent issues. Originally, the nomination committee focused on CEO succession planning and board appointments, and the remuneration committee on executive compensation, performance, and recruitment. The next step was nominations having a strategic role in the selection and compensation of the board based on the strategic direction of the company, while the remunerations committee was operational in terms of creating a pipeline of recruitment, pay, and rewards for effective execution. Later confluence can be observed where the nominations committee evaluates the board's individual and collective competencies with a focus on value creation.

Remuneration takes a more technical perspective with an assessment of skills integration and compensation which are interrelated with KPIs and company objectives. Closer confluence can be seen where Nomination and Remuneration Committees are taking a holistic and strategic view of top leadership. While they may be chaired by different people, there is a greater fostering of organizational alignment across the dimensions of culture, talent, succession, and compensation.

6. Main challenges faced by the nomination and remuneration committees

Nomination and Remuneration Committees face challenges. Again, given the number and spread of respondents, there are many different and often, specific topics identified. We identify *five general challenges* that have been highlighted by a number of respondents.



The first challenge is around the topic of the integration and alignment of ESG and diversity topics. Several respondents voice concerns over the difficulties and slow pace of integrating ESG targets into performance evaluations and remuneration packages. Identifying ESG KPIs is aligned with this and is perhaps the first step for companies to take before being able to integrate ESG into remuneration and performance discussions. Similarly, the continuing challenge of diversity is mentioned by several respondents. This covers both quotas and fulfilling diversity rules (in some countries) as well as the gender pay gap. Taking a larger perspective on DEI, some respondents also mention finding suitable diverse talent beyond the gender dimension. Yet, for some boards, diversity, it appears, is still a peripheral topic.

Looking at a wider perspective, some respondents flag the **difficulties** they are finding **having access to talent** both for the Board and for the C-suite. Respondents mention the competition for top talent at these levels. For C-suite talent, they point to the spiralling and unhealthy compensation levels needed to attract the best talent. This is likely to be a direct result of a shrinking talent pool driving up compensation. From the difficulties finding talent with operational experience to keeping an eye on the next tier of talent and building relationships with them, from losing skills due to the inadequacy of remuneration policies to a lack of career development, these issues are feeding into a more complex environment for succession planning and leaking into remuneration practices.

Similarly, the **regulatory environment** is reported as **becoming more complex**. For committee members, keeping abreast of changing regulations and compensation/remuneration changes is becoming a headache. Post-pandemic work practices – the new world of hybrid working – and having to factor those in, has added complexity to the work of the committee. Lack of time is also a factor mentioned by some respondents.

Continuing the theme of complexity, respondents also identify the **challenge of keeping up to date with evolving practices and benchmarks**. These are having an impact on the effectiveness of the committees. Whether there is a lack of benchmarking information, the benchmarks aren't relevant or simply need to better understand what information and knowledge on trends are available and how best to use them, adding the time factor is increasing the pressure on committee members to work at their most effective level.

One further key challenge identified is how to **maintain an independent and objective approach and fight biases or give in to them**. Respondents mention balancing proxy/investors' wishes, independent and non-independent board member views, owner's rights, and maintaining independence against a controlling shareholder, as well as avoiding their own internal biases. Maintaining independence and objectivity is a constant challenge for some respondents in a sea of competing personal agendas, power, and the struggle for control.

7. Key enablers for sound decision-making for nomination and remuneration committees



The foundation on which the Nomination and Remuneration Committees can make sound decisions is key to the committees being effective and adding value to the board. From a diverse set of perspectives and ideas, we can identify several key enablers that contribute to the effective decision-making capabilities of the committees. These enablers sit on a foundation of having committee members who display integrity, independence, and dedication as well as a desire to be fully prepared and up to date for the challenging work they are involved in.

The first enabler is close collaboration and regular, open, discussions. Creating harmonious working arrangements both within the committee and beyond is seen as a foundation for achieving the goals of the committees. Close cooperation and trust have been identified by several respondents including the ability of committee members to have candid conversations with each other and follow transparent processes, enabling information to flow within the committee but also beyond to the board. Trust is mentioned often as a basis for members to build close collaboration and hold open discussions. Having diverse perspectives by including members from different industries and geographies is also mentioned as something that works well in their committee(s). Diversity results in different viewpoints and ideas being aired as part of a full discussion. Hearing diverse views leads to a committee culture that respects challenging conversations and openness to debate, eventually leading to cohesion around a conclusion.

The second enabler is experience and subject matter expertise in nominations and remuneration topics. Respondents mention the work of the committees is made more effective by having experienced leaders with a deep knowledge both of the subject matter but also of introducing best practices from the outside. Professionalism, willingness and motivation to learn, along with strong chairmanship of the committee are suggested to play a role in its success. Supplementing this is an openness to engaging with external consultants and experts to create an informed dialogue on the issues of importance in the nominations and remuneration realm.

The third enabler is creating alignment with strategy and long-term planning. Alignment is mentioned by several respondents with a particular focus on ensuring the work of the Nomination and Remuneration Committee both suits the company's culture and focuses on alignment to achieve the company's overall goals and strategy. Being able to balance a long-term orientation with short-term goals is seen as vital to creating effective outcomes.

The fourth enabler is the ease to reach consensus and cohesion with stakeholders. Being able to work effectively with other committee members and beyond, including other stakeholders on the board, the executive committee and external experts, consultants, and others, is critical to ensure the effective working and successful outcomes of the nomination and remuneration committee. Respondents mention positive coordination with other committees and with the larger board as well as with HR specialists in the business who can support committee members' understanding of specific topics through their own expertise and knowledge of what is going on in the wider marketplace. In return, the committee members enjoy support from different stakeholders which enables them to become more effective in their committee work.

CONCLUSION

Through this global survey of board directors on Nomination and Remuneration Committees we have examined the emerging trends to understand how committees' practices are changing in a context of increased pressure. We note that there appears to be a trend calling for closer synergic convergence of talent matters and holistic calibration of the people aspect between the two committees, as well as with the overall governance of the board. At the same time, the work of the committee is increasingly more aligned with the strategic goals of the business.

From our respondents' answers, we can see that the work of the Nomination and Remuneration Committee is an important part of a board's overall work, but also entails various risks for the company in terms of strategy, leadership effectiveness, reputation, and performance. This is set against an increasingly complex environment where access to top talent is becoming more challenging and creating competition leading to spiralling compensation levels.

Similarly, the workload of the committees is becoming more difficult, with increased regulation, a "war for talent", and keeping up with evolving practices and benchmarks. Identifying enablers to support committee members to be effective and efficient to deliver on the

committee's goals is progressively important. Whether these enablers are having an experienced chair to lead the committee, building trust and increasing collaboration between members, while being open to diverse perspectives, or enjoying support from the wider board to get the work done.

Our findings set a foundation to explore deeper into some of the issues we have identified and continue to build our knowledge of best practices and trends on the important work of the Nomination and Remuneration Committees.

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