



The Corporate
Governance Centre



ERIC SALMON
& PARTNERS

INSEAD – Eric Salmon & Partners Joint Board Study

*Trends in Nomination & Remuneration
Committees - Towards Confluence or
Divergence?*

6 October 2023



Nomination & Remuneration Committees

Key pillars for strategic leadership calibration and governance

The speed of change and complexity of the business paradigm reinforce the call for nomination and remuneration alignment with the company governance and long-term strategy.

The **INSEAD Corporate Governance Centre** and **Eric Salmon & Partners** conducted a global survey of board directors on Nomination & Remuneration to examine the emerging trends and understand how Committees ' practices are changing in a context of more scrutinized and pressured governance.

Overall, **+270 responded** to the survey and the results revealed:

- an increased focus on remuneration & nomination agenda (**91%**)
- a clear challenge to align the C-suite remuneration with company strategy (**58%** still unmet)
- top priority remains, developing CEO succession & contingency planning (**51%**) with mapping board recruitment strategy & onboarding process (**30%**)



Aligning Nomination & Remuneration with Strategic Goals

Nomination & Remuneration

97%

Consider the importance of having
Nomination & Remuneration Committees

73%

Feel their board is taking the long-term
strategic view for directors renewal

85%

Believe their board's familiarity with
Nomination & Remuneration is adequate to
what is needed

Strategic Alignment

Boards are informed about aligning C-suite
remuneration with company strategy

80%

Strategic & holistic view top leadership
traits for a good chair of Nomination &
Remuneration (followed by independence &
integrity)

69%

Committees' role in aligning C-suite
remuneration with strategy, incentives
including ESG targets

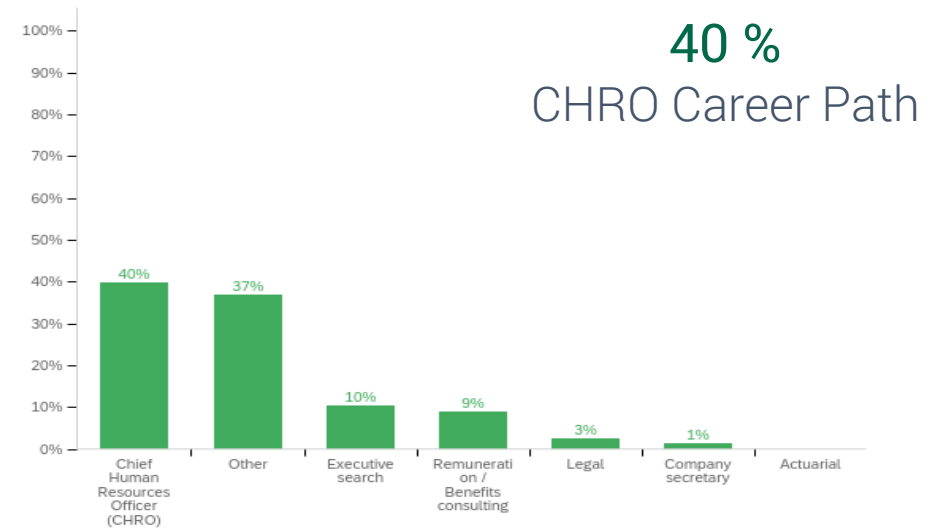
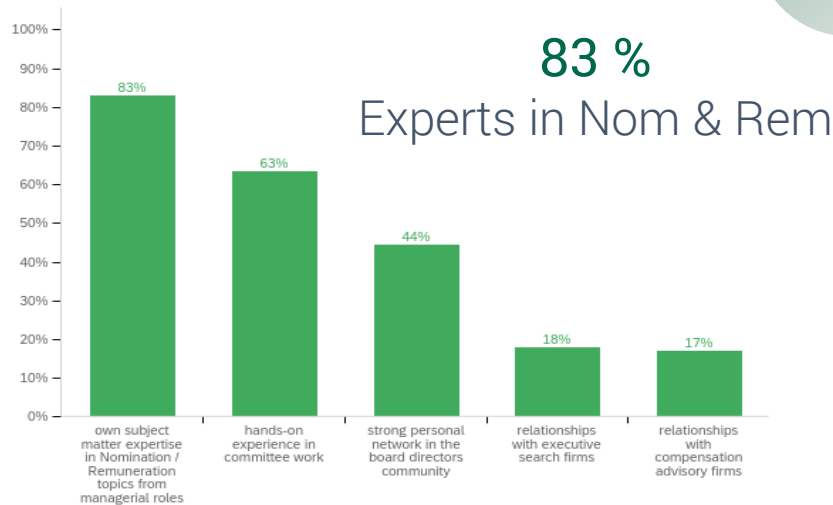
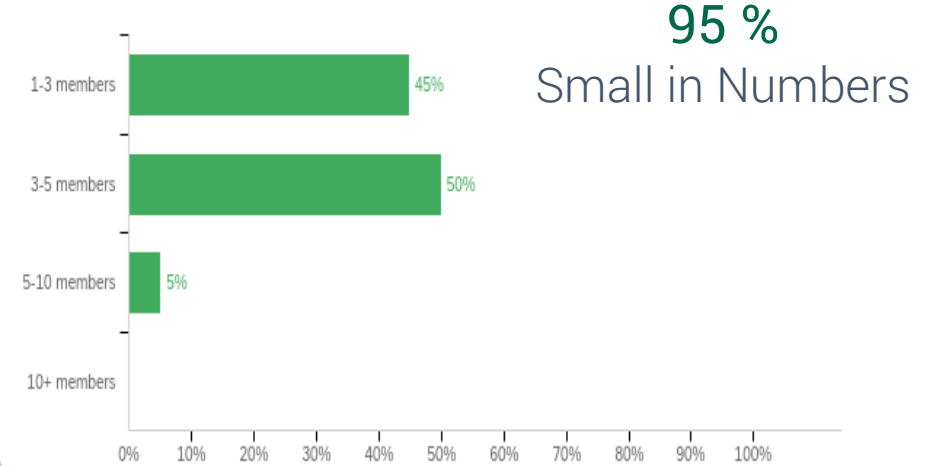
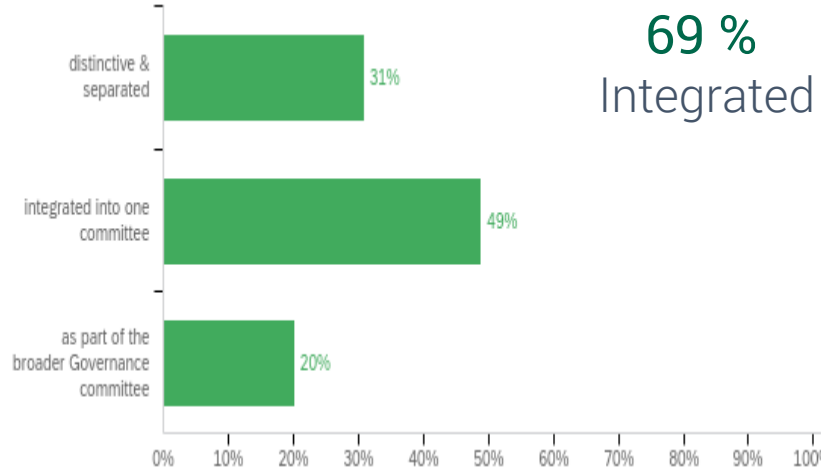
42%



The Corporate Governance Centre



Structure & Composition for Rem and Nom Committees





The Corporate
Governance Centre



Rem and Nom Committees as Levers for Risk Management



Nomination & Remuneration Committees collaborate mostly with **Audit 51% & Risk 38%**



The Corporate
Governance Centre



Rem and Nom Committees Fostering *Compliance, Effectiveness & Transparency*

Championing
DEI from the
boardroom



Adding new
competencies
to current
board



Assessing
nominations &
managing non-
performance



Developing
remuneration
policies &
schemes



Benchmark C-
suite
remuneration
& market
practices





The Corporate
Governance Centre



4 Factors Influencing C-Suite Remuneration in Today's Governance Paradigm



Company Strategy

- Compelling vision
- Clear purpose
- Long-term strategy
- Sustainability agenda
- Business objectives



Market Competitiveness

- Externalities
- Benchmark
- Market practices/data
- Talent pool
- Competencies
- Experience/expertise
- Positions



Stakeholders' Voices

- Shareholders/investors
- Board
- Executives
- Regulators
- Proxy advisors/Activists
- Customers
- Employees



Internal Alignment

- KPIs & objectives
- Policies
- Schemes/ecosystems
- Pay-ratio
- Fairness
- Equity



The Corporate
Governance Centre



Trending towards Confluence for Synergic Human Capital Management

Overlap on strategic talent issues: Nomination – CEO succession planning & boards appointment
Remuneration – executive compensation, performance & recruitment



Nomination: strategic issues - selection & compensation of board members based on strategic direction
Remuneration: operational – pipeline of recruitment, remuneration, reward for effective execution



Nomination: evaluation of board individual & collective competencies, value creation
Remuneration: technical, assessment, skills integration & compensation inter-related with KPIs & objectives



Nomination & Remuneration: holistic & strategic view of top leadership, chaired by different chairs
Foster organisational alignment including culture, talent, succession & compensation

92% Boards are inclined towards closer synergic **convergence of the talent matters** for an **end-to-end view on 'people' aspects** of business governance



The Corporate
Governance Centre



Main Challenges faced by the Rem and Nom Committees





The Corporate
Governance Centre



Key Enablers for Sound Decision-Making For Rem and Nom Committees

Close
Collaboration
& regular open
discussions

Experience &
expertise in
Nom & Rem
subject matter

Alignment with
strategy & long
-term planning

Ease to reach
consensus &
cohesion with
stakeholders