Pearl Meyer

VIDEO | JUN 2020

Why ESG Belongs on the Compensation Committee Agenda

Mark Rosen

MANAGING DIRECTOR

Deb Lifshey

MANAGING DIRECTOR

Sharon Podstupka

PRINCIPAL

Transcript

Mark: Let me go back for a second, because are we as compensation consultants talking to the right group? When we think back to the compensation committee charter, is this in fact an area that compensation committee members should be focused on when it's not built into an incentive program?

Deb: Well, I think—and Sharon can talk more to this—but I do think that it does involve all employees because a measure of success, at least on the social level, is how well are your executives managing all of these social issues? That should be, if it's not a specific component because it's hard to measure, maybe an overlay on what's going on with executive pay.

Sharon: I think it's how you tell that story. So it goes back to the diversity within ESG and all of the different issues that fall under these three buckets, whether it's environmental or social or governance. How are you holding your management teams accountable to the things that are important to your organization, whether it's a formal, quantifiable measurement in an incentive plan or something that's being used to evaluate performance, either short- or long-term? So how are your senior management folks executing on certain initiatives around ESG and what that means to an organization? Also where and how are you telling that story? So you can talk about it in the boardroom, but you also need to be able to share that with your investors, the proxy advisory firms, your workforce, because they're all looking for that narrative somewhere from the board, from senior management.

David: One point back to Mark's question on the charter and that is that I think virtually a hundred percent of compensation committee charters make the committee responsible for evaluating the performance of the CEO. If you think about how people think about organizations, the CEO is the place where the buck stops, at least for a reasonable company. In that case, what we're finding is that compensation committee members now recognize that the CEO is responsible for the culture of the organization, the behavior of the executive team—witness the #metoo movement. A whole bunch of things that weren't more top of mind until recent years, but all of those things give the compensation committee sort of the entre into evaluating the overall performance of the organization from a long-term perspective, because it's through that lens of the CEO evaluation.

About the Authors

Mark Rosen is a managing director and consulting team leader at Pearl Meyer. In his management role, he oversees a team of senior compensation consultants in the execution of the firm's growth strategy and in the development of consultants at various stages in their careers. Mark has consulted on executive and board compensation issues for more than 20 years for a broad range of public companies, as well as tax-exempt organizations and academic institutions. He has extensive experience with benchmarking, retirement plan design, governance issues, and tax and accounting considerations.

Deborah Lifshey is a managing director at Pearl Meyer, where she specializes in advising clients on compensation matters from a legal perspective including securities disclosure, taxation and corporate governance issues, negotiation contracts, and reasonableness opinion letters.

Sharon Podstupka is a principal at Pearl Meyer. She is a trusted advisor to boards and executive management teams in the areas of executive and broad-based employee compensation communication and change management. With over 25 years of consulting experience, she is one of the original pioneers of executive compensation disclosure best practices and has proven success in creating effective strategies and delivering content in challenging business environments and under intense scrutiny from investors and proxy advisory firms. Sharon has extensive experience in a broad range of industries, including financial services, manufacturing, oil and energy, retail, biopharma/biotech, and healthcare.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.