Pearl Meyer

ADVISOR BLOG | FEB 2025 | NACD

The Case for Higher Nominating and Governance Chair Pay

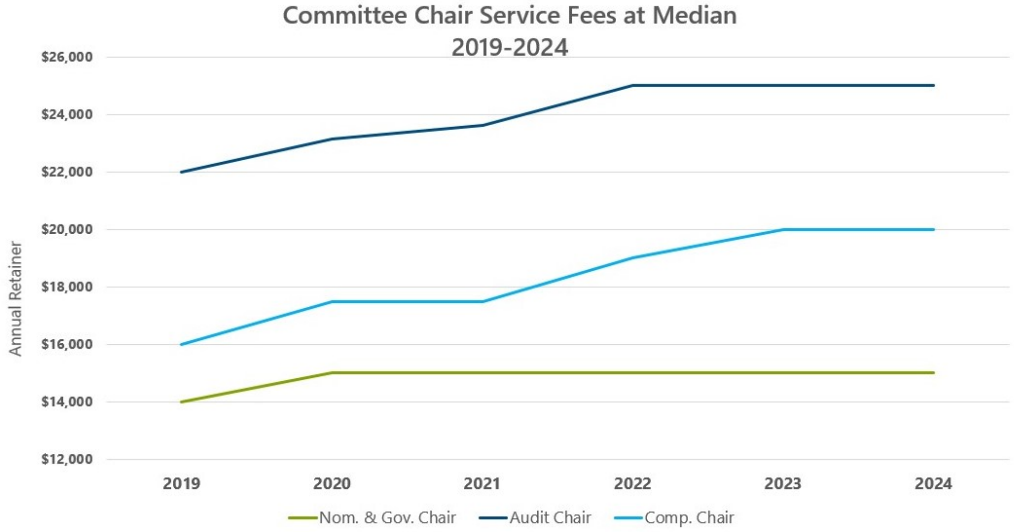
Terry Newth

MANAGING DIRECTOR

Boards have been quite busy over the past five years helping management teams navigate significant domestic and global events. Over this period of time, all board committees have taken on expanded responsibilities or areas of focus, and for most, this has translated to more compensation for the committee chairs. There is one notable exception: median nominating and governance committee chair pay has not increased at the same pace as the audit and compensation committee when looking over the last five years. This may be surprising to many directors, who recognize that this committee has taken on sizable new responsibilities. In addition, previously existing responsibilities for the nom/gov committee have taken on a heightened level of importance in the pursuit of long-term sustainable value creation, and yet the gap between pay levels among members of this committee versus the other standing committees has grown.

Committee Remits Have Expanded

All board committees have taken on new and expanded responsibilities over the course of the last five to 10 years. It should be noted that these additions are meaningful expansions to the remit of the committees that help a company succeed in the new global operating environment, for example, cyber risk, human capital management, and ESG matters.



In addition to the inclusion of numerous aspects of ESG, the legacy nominating and governance responsibilities have evolved to become more complex and critical in ensuring a well-functioning board and company. Of note, there is a stronger focus on the importance of board refreshment and effectiveness, as well as individual director skill sets and experience. It is critical that today's board has a well-formed structure and composition, clear goals and expectations, and effective board leadership and processes. Additionally, effective CEO and

executive succession planning is crucial
for the long-term sustainability of any organization. Investors are keener than ever on ensuring that a company has a well-formed plan to create a transition of leadership from one CEO to the next and can execute on that plan seamlessly.

In our view, these important changes should translate to additional compensation for the leaders of these committees. Going forward, we encourage boards to effectively balance the compensation amounts that are provided to comparable company boards (the “market perspective”) with the internal perspective discussed above to arrive at what is fair for board and committee compensation.

About the Author

Terry Newth is a managing director at Pearl Meyer. He consults on the design, development, and assessment of executive compensation programs that support each organization’s business objectives, long term business strategy, and organizational culture. His clients range from Fortune 500 organizations to pre-IPOs to private and family-owned companies in a wide range of industries. Terry’s areas of expertise include pay strategy and philosophy development, market-based pay studies, incentive plan design, severance and CIC arrangements, outside director pay, transaction-related compensation, CD&A and supporting table disclosures, corporate governance, and share plan authorizations.

About Pearl Meyer