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SOCIETY *for* Corporate Governance

April 2023



Board Practices Quarterly

Board oversight of talent

Prompted by evolving stakeholder expectations and demands, as well as the growing recognition of the impact of culture and talent on employee and corporate performance, companies are increasingly focused on new and emerging human capital-related topics, such as employee well-being, remote and/or hybrid work, and the retention, development, and promotion of employees throughout the organization, as well as on whether and how the board oversees these areas.

To keep pace, many boards have expanded their remits to include these topics, which traditionally have been solely within management's purview. How this is being manifested in the boardroom is the focus of this *Board Practices Quarterly*. The report presents findings from a survey of members of the Society for Corporate Governance that sought to understand board and committee practices relating to oversight of talent and human capital matters and whether and how those practices have evolved over the past five years.

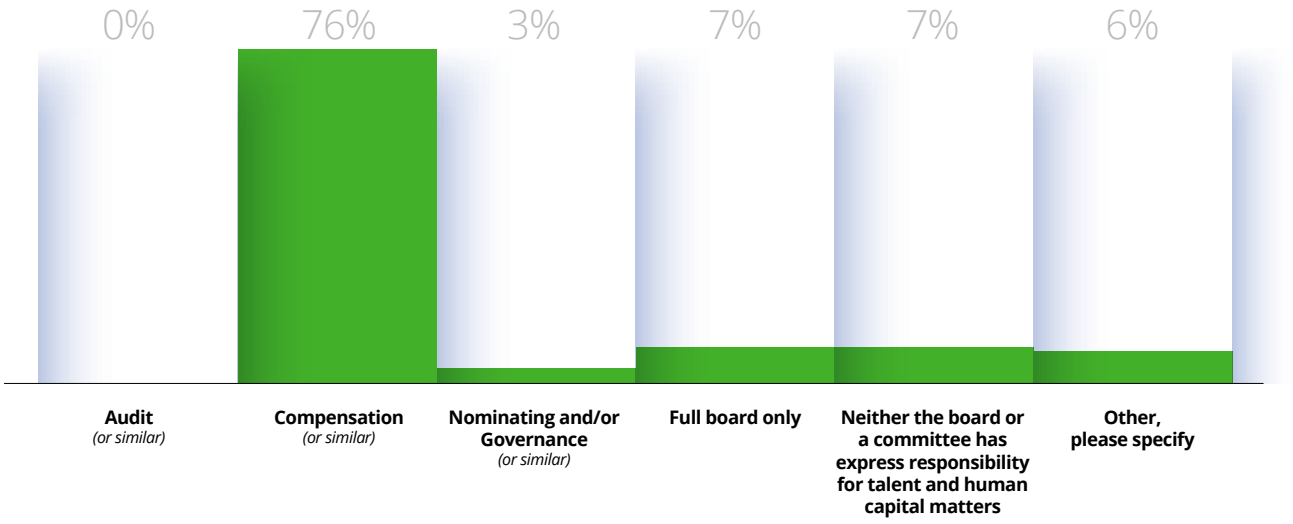
Findings

Respondents, primarily corporate secretaries, in-house counsel, and other in-house governance professionals, represent 129 public companies of varying sizes and industries.[1] The findings pertain to these companies and, where applicable, commentary has been included to highlight differences among respondent demographics. The actual number of responses for each question is provided.

Access results by company size and type.

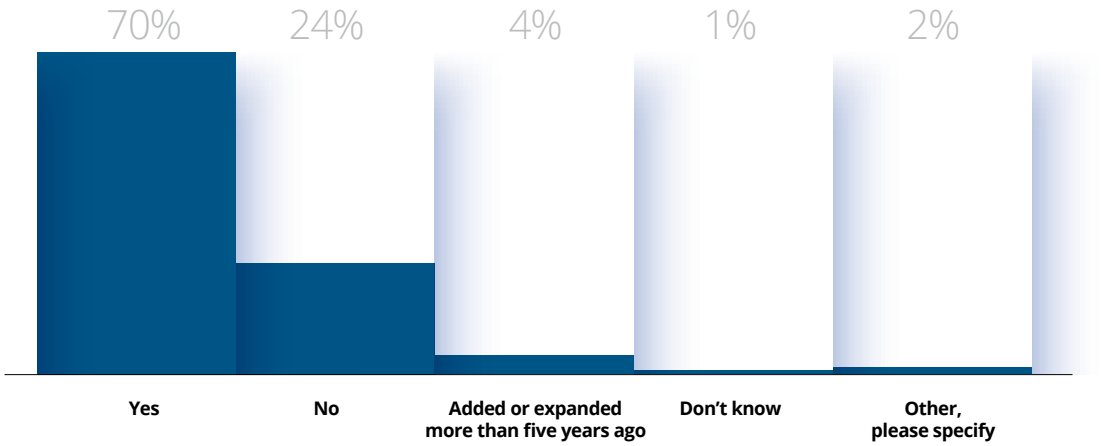
Where does primary oversight for talent and human capital matters lie within your company's board? (126 responses)

More than three-quarters of companies surveyed look to the compensation committee or a similar committee for primary oversight. A similar question asked in a previous *Board Practices Quarterly* (2021 Boardroom agenda, February 2021) found that oversight of human capital management resided primarily with the compensation committee (72%), followed by the full board (39%); nominating/governance committee (14%); and audit committee (3%).



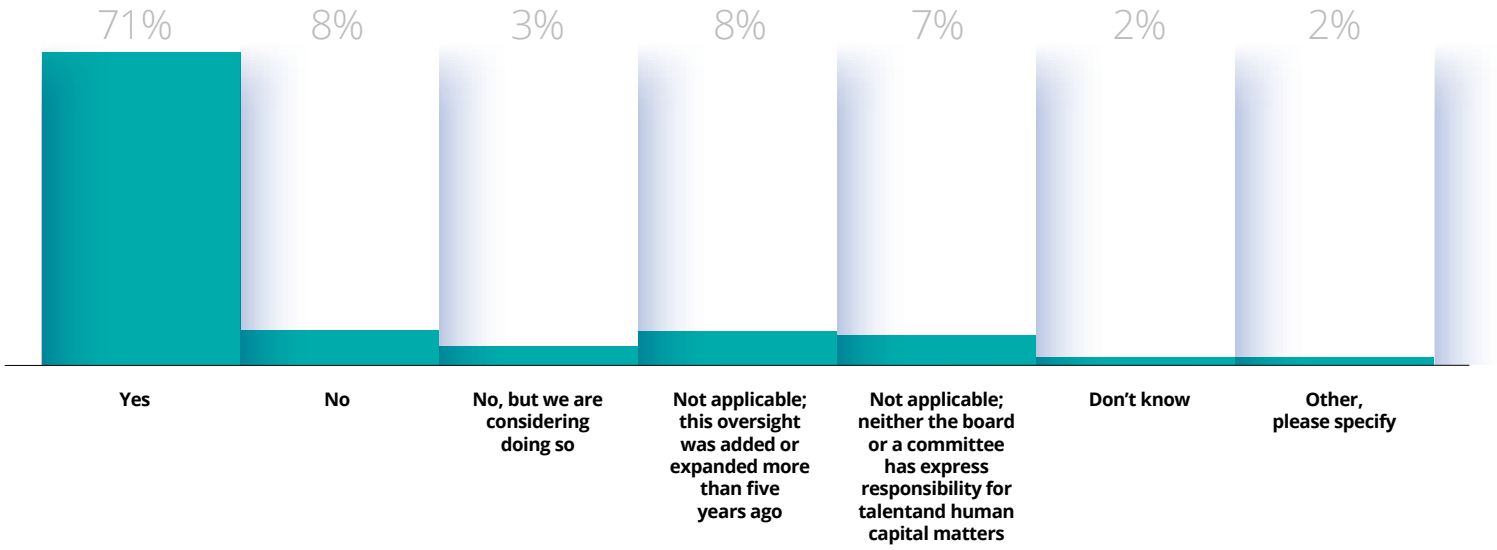
Within the past five years, has board or committee oversight of talent and human capital been added or expanded? (125 responses)

70% of companies reported having added or expanded board or committee oversight within the past five years. Among large-caps, 80% reported oversight has expanded compared to 58% of mid-caps.



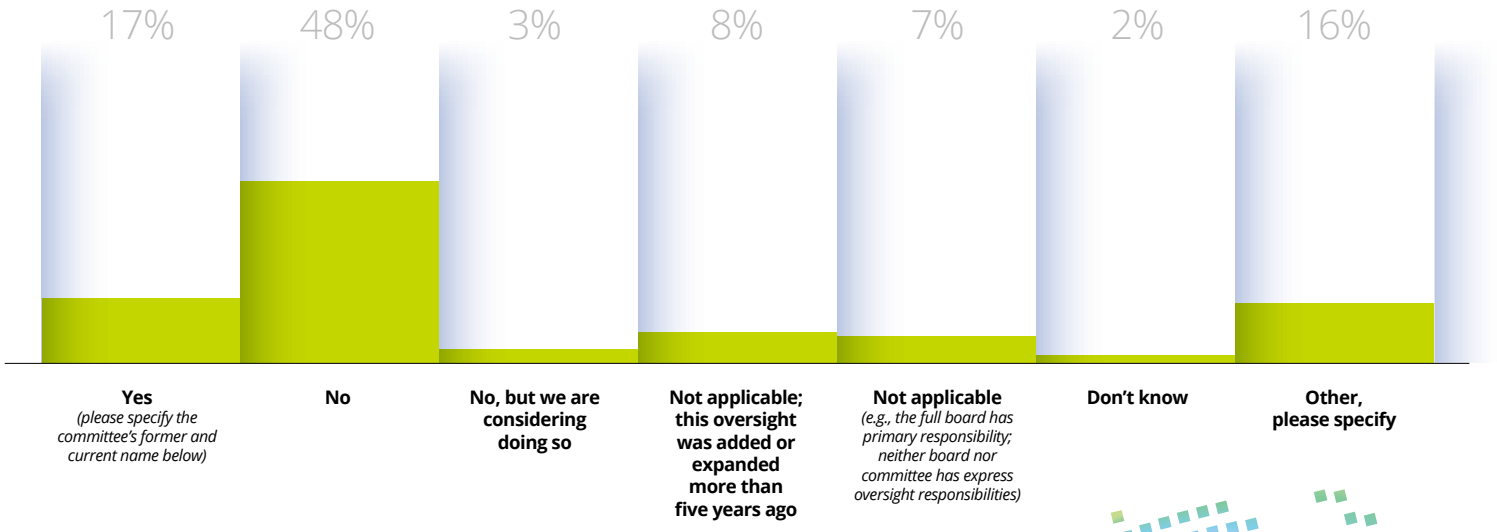
If the board or a committee added or expanded talent and human capital oversight within the past five years, have relevant governance documents (e.g., corporate governance guidelines, committee charter) been updated to reflect the broader scope? (116 responses)

Of those companies that added or expanded board or committee oversight within the past five years, more than 85% reported updating their relevant governance documents. Among large-caps, 92% responded "yes" compared to 80% of mid-caps.



If a committee added or expanded talent and human capital oversight within the past five years, has the committee changed its name to reflect the broader scope? (115 responses)

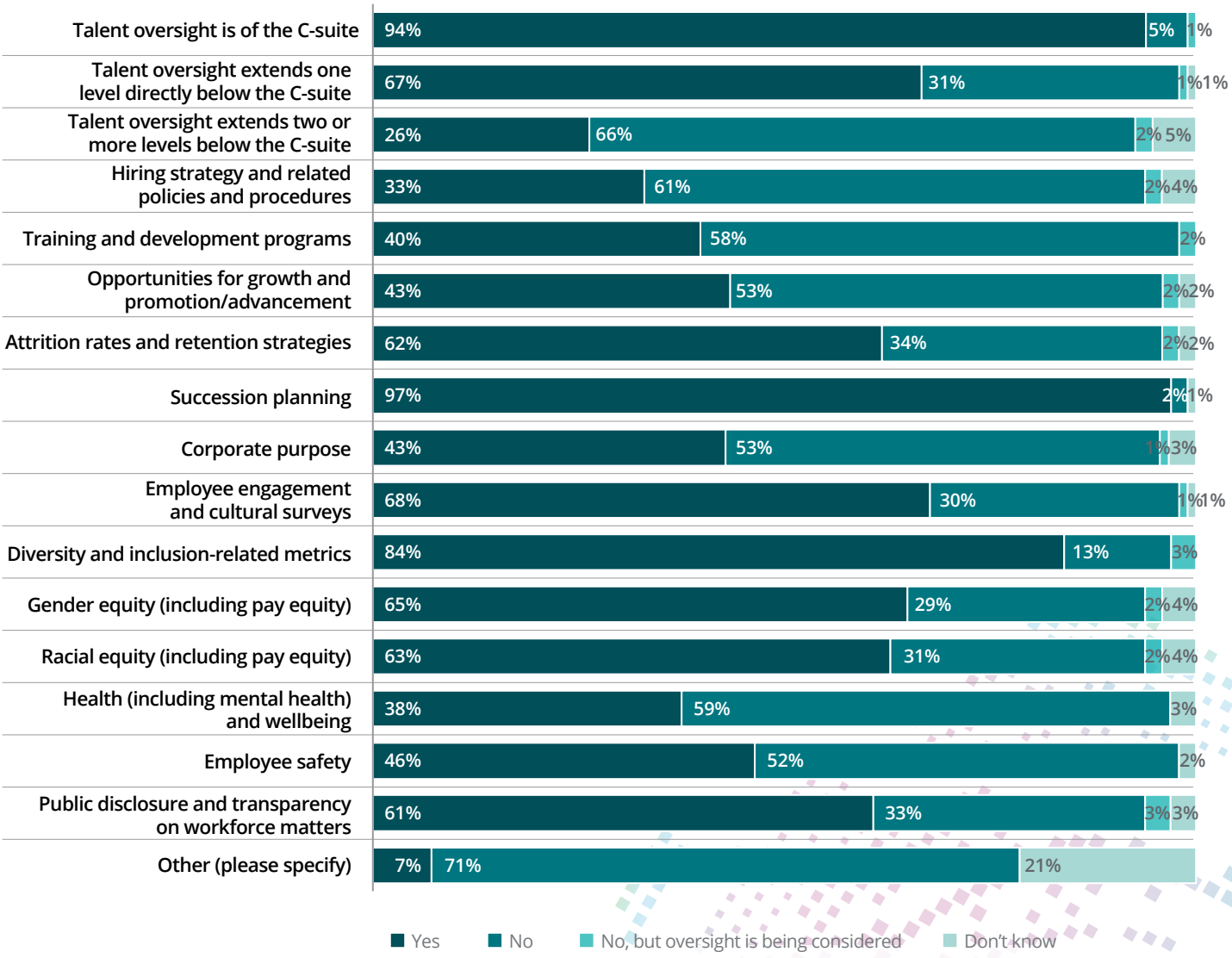
For boards that have changed the committee's name to reflect the broader scope, it was most often a modification of the compensation committee to include "human resources," "human capital," "culture," and/or "development." One respondent noted that the Nomination, Compensation and Governance Committee had been split into two committees: the Compensation and Human Capital Committee and the Nomination and Governance Committee.



Indicate whether the board and/or a board committee has express oversight responsibility for the following talent and human capital areas. (100 responses)

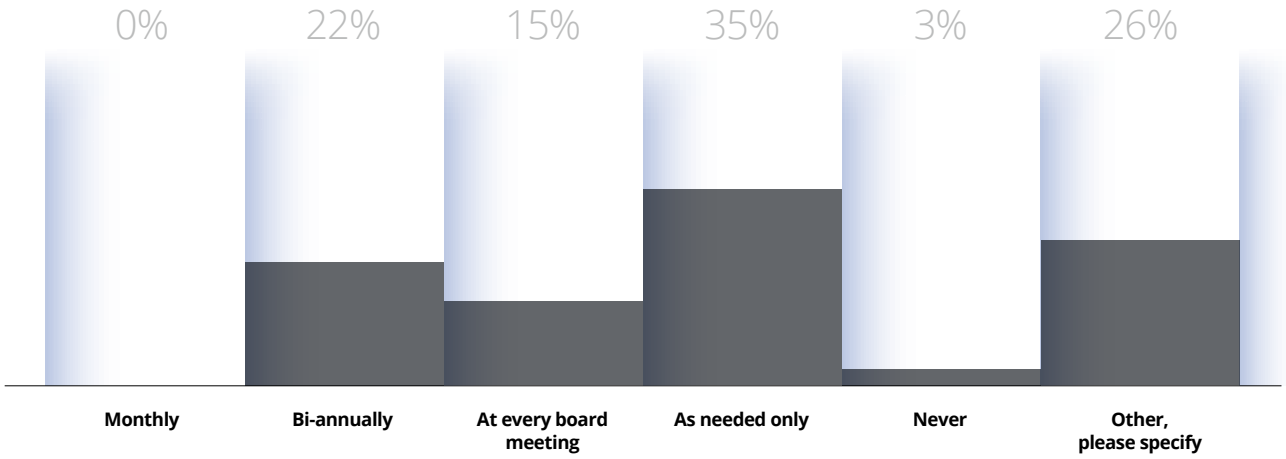
Notable differences across market caps answering "Yes":

- Talent oversight extends one level below the C-suite – 76% large-caps; 59% mid-caps
- Training and development programs – 49% large-caps; 28% mid-caps
- Opportunities for growth and promotion/advancement – 55% large-caps; 30% mid-caps
- Attrition rates and retention strategies – 67% large-caps; 50% mid-caps
- Diversity and inclusion-related metrics – 91% large-caps; 76% mid-caps
- Gender equity (including pay equity) – 72% large-caps; 54% mid-caps
- Racial equity (including pay equity) – 70% large-caps; 51% mid-caps
- Health (including mental health) and well-being – 47% large-caps; 25% mid-caps



How often are talent and human capital management topics on the full board agenda? (101 responses)

Respondents answering "every board meeting" included 18% of large-caps and 10% of mid-caps. Mid-caps are more likely to include these topics on board agendas "as needed only," with 41% reporting this cadence compared to 29% of large-caps. Many respondents commented that an "annual" frequency is used.

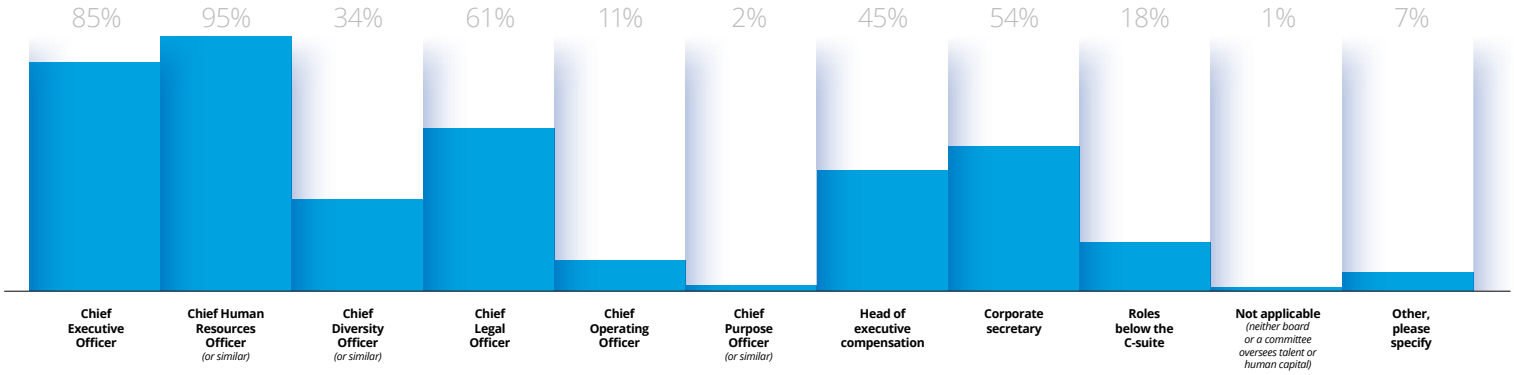


Indicate the individuals that report to and/or attend any board or committee meetings relating to talent and human capital matters. [Select all that apply] (100 responses)

A majority of boards/board committees include the Chief Human Resources Officer, CEO, Chief Legal Officer, and Corporate Secretary in meetings relating to these topics. A few respondents commented that the CFO is included. Additionally, notable differences across market caps:

- Chief Diversity Officer – 49% large-caps; 16% mid-caps
- Head of Executive Compensation – 62% large-caps; 29% mid-caps

A similar question asked in a previous *Board Practices Quarterly* (2021 Boardroom agenda, February 2021) found that the most common principal liaison with the board on human capital management matters was the Chief HR Officer, or equivalent (85%), followed by the CEO (35%), and the General Counsel or CLO (11%).



Endnotes

1. Public company respondent market capitalization as of December 2022: 51% large-cap (which includes mega- and large-cap) (> $10 billion); 43% mid-cap ($2 billion to $10 billion); and 6% small-cap (which includes small-, micro-, and nano-cap) (< $2 billion). Respondent industry breakdown: 28% consumer; 27% financial services; 21% energy, resources, and industrials; 16% technology, media, and telecommunications; and 8% life sciences and health care.

   Small-cap and private company findings have been omitted from this report and the accompanying demographics report due to limited respondent population.

   Throughout this report, percentages may not total 100 due to rounding and/or a question that allowed respondents to select multiple choices.

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