

NOMINATING & GOVERNANCE COMMITTEE  
PRIORITIES FOR 2024:

# Excelling in Board Leadership



The responsibilities of the nomination and governance (N&G) committee are impacted by the continually unpredictable landscape. N&G committees are laser-focused on prioritizing effective leadership and board governance to direct their companies in achieving long-term shareholder value. But how can these committees successfully execute their mandates in 2024? BDO's Center for Corporate Governance shares invaluable insights on key current and emerging trends, providing guidance on how N&G committees can navigate their responsibilities and maximize their impact.

### **FIT FOR PURPOSE: SETTING LEADERSHIP EXPECTATIONS FOR THE FUTURE**

*"By developing robust succession and onboarding plans, addressing talent scarcity, evaluating leadership skill sets, alignment and execution, N&G committees can ensure seamless transitions and maintain strong leadership,"* said Amy Rojik, BDO National Managing Principal and leader of BDO's Center for Corporate Governance.

Leadership changes in the C-suite are inevitable, but succession planning has become more complex than ever. High turnover, talent scarcity, and costly onboarding pose continuous challenges for N&G committees. When leadership changes are necessary, proactive succession planning becomes crucial for a seamless transition. The N&G committee plays a vital role in evaluating the alignment of leadership with the organization's strategy, culture, and goals, consistently overseeing the search for the right talent for critical roles. Ongoing analysis to identify gaps and develop a plan for future leadership needs is essential to determine if the C-suite is fit for purpose.

To excel in this area, N&G committees should:

- ▶ Determine the robustness of the board's existing succession plan for the CEO as well as key C-suite members.
- ▶ Review the process of evaluating the C-suite.
- ▶ Assess alignment between leadership composition with corporate strategy, culture, and goals.
- ▶ Evaluate viable candidates for both short- and long-term needs.
- ▶ Identify interim candidates for potential urgent situations.
- ▶ Coordinate with compensation and human capital committees to understand talent identification and development processes, ensuring a pipeline of qualified candidates and prioritizing personnel evaluation and development.

Managing the succession process requires careful consideration of the organization's needs. N&G committees should ask themselves:

- ▶ Do we have a succession plan and has it been recently reviewed and updated for current conditions?
- ▶ What is our ideal leadership profile to best align with our culture, goals and strategy?
- ▶ What key characteristics are we looking for in specific roles to support our long-term strategy?
- ▶ What stakeholders should be part of the process?
- ▶ Are we creating internal opportunities and implementing growth and retention programs?
- ▶ Is our succession pipeline diverse?
- ▶ How are we building our pipeline externally?



## BUILDING A BOARD FOR SUCCESS: THE ART OF SKILLFUL COMPOSITION & REFRESHMENT

Succession planning isn't limited to the C-suite; it extends to the board of directors. According to [Spencer Stuart's Nominating/Governance Chair Survey](#), 56% of respondents identified board composition as a key focus area. N&G committees consider the appropriate mix of skills, experience, and attributes for the board, aligning them with the organization's evolving objectives and goals. Establishing the desired qualities of directors, creating robust evaluation processes and feedback mechanisms (e.g., 360-degree reviews), and outlining clear refreshment policies all help to set expectations and bring transparency to the board member refreshment process. To achieve this, N&G committees should:

- ▶ Continually review director skills, including industry knowledge and strategic business planning experience in light of evolving needs, and supplement with advisors if necessary.
- ▶ Establish a detailed process for identifying and onboarding new directors.
- ▶ Conduct assessments to identify skill and execution gaps and focus on individual development.
- ▶ Communicate openly about refreshment needs and plans with all stakeholders.
- ▶ Consider bringing diverse perspectives into the boardroom to foster healthy tension and constructive discussion to inform timely decision-making.

## BOARD STRUCTURE AND PROCESS: ORCHESTRATING A SYMPHONY OF EXPERTISE

Board structure and process are crucial for optimizing oversight and creating a culture of accountability and collegiality that extends beyond the boardroom. With the evolving and increasing mandate of the board, a deliberately structured and highly functioning board is imperative. This requires contemplating board size, intentional development of committees, and assignment of individuals and specific oversight responsibilities. Executing a successful corporate strategy requires a board who can prioritize risks and opportunities and determine how best to introduce the necessary expertise without sacrificing generalized skills in the areas of business and industry acumen, strategy, and resiliency.

The N&G committee's purview includes reviewing governance policies, procedures, and processes for the board and its committees. As business needs evolve, the N&G committee must:

- ▶ Ensure that board and committee oversight of risks and opportunities is appropriately balanced in assignments and clearly defined in committee charters.
- ▶ Review charters annually to identify misalignment with responsibilities. As needed, utilize subcommittees for specialized topics to manage additional responsibilities.
- ▶ Work with committee chairs to ensure on-going training and education of board members.
- ▶ Effectively and transparently communicate with stakeholders to promote fulsome discussion, embrace diverse viewpoints, and allow for candid opinions.

## ESG AND SUSTAINABILITY: PIONEERING A PATH TO RESPONSIBLE BOARD LEADERSHIP

Environmental, social, and governance (ESG) factors continue to dominate boardroom discussions. For many organizations, sustainability begins within the N&G committee and expands to include other committees of the board working in concert with management to achieve ESG objectives. There is mounting support for corporate embracing of ESG-friendly policies, but there is also increasing anti-ESG sentiments that contradict sustainability efforts. The N&G committee can play a pivotal role in supporting sustainability solutions that achieve profitable outcomes by understanding and responding to the following questions:

- ▶ Where is the company in its ESG journey and what are the short- and long-term goals?
- ▶ How does our board identify and prioritize ESG factors?
- ▶ How are we addressing sustainability issues in a way that aligns with and is integrated into the business strategy and enterprise risk management?
- ▶ Which committees are responsible for each issue, and what is our governance plan for oversight of management achieving stated objectives?
- ▶ Is there sufficient collaboration with the audit committee to ensure evolving compliance and reporting considerations are met?

## STAKEHOLDER ENGAGEMENT, ACTIVISM AND COMMUNICATIONS: NAVIGATING THE WINDS OF CHANGE

Stakeholder activism remains prevalent, and boards need to have a plan in place for when an activist tries to take aim at sitting directors. The first half of 2023 has demonstrated that new universal proxy rules are providing activists with flexibility to nominating their own board candidates. N&G committees must recognize that stakeholder engagement, particularly with shareholder activists can present both opportunities and challenges.

To navigate this landscape effectively, N&G committees should establish clear stakeholder engagement objectives. Continued active engagement can foster higher transparency and trust while assisting in vulnerability identification. Periodic vulnerability assessments allows the board and the N&G committee to proactively address areas where the organization may be susceptible to external activist pressures and actions. This proactive approach should factor into of the N&G committee's evaluation of individual directors, board structure and composition. These practices enhance board effectiveness, strengthen stakeholder relationships, and can help drive sustainable growth.

Focusing on opportunities to externally communicate with stakeholders is another important lever the board has to instill stakeholder confidence. Leveraging public governance documents (e.g., committee charters) and annual proxy statements to disclose the who, what, when, and why provides the opportunity to provide transparency into governance oversight. The N&G committee can play an important role in holistically reviewing such communications to ensure the narratives align with the corporate governance activities of the organization. Reliable communication strengthens the company's position and enhances its reputation among stakeholders.

## PAVING THE WAY FOR SUCCESSFUL BOARD LEADERSHIP

The responsibilities of the N&G committee are key to effective leadership and board governance. By proactively addressing challenges in C-suite succession planning and director refreshment, N&G committees can navigate the complexities of talent scarcity and align leadership with organizational goals. Additionally, establishing a strong board structure and composition, reviewing governance policies and processes, fostering effective communication, considering ESG factors, and engaging stakeholders are essential for board leadership excellence. N&G committees who embrace their role can help drive sustainable growth, enhance stakeholder relationships, and maintain a positive reputation in an increasingly scrutinized corporate landscape.

We encourage N&G committees to remain up to date on evolving governance trends and work with your advisors on continuing education plans. For your convenience, here is a recent listing of resources that may be of interest to you from the BDO Center for Corporate Governance:

- ▶ [BDO Center for Corporate Governance – Nominating and Governance Committee](#)
- ▶ Survey: [Spring 2023 BDO Board Pulse Survey](#)
- ▶ Podcast: [Board Refreshment Process](#)
- ▶ Podcast: [Succession Planning from the Activist Perspective](#)



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