

Board Practices Report

Common threads
across boardrooms

Key findings

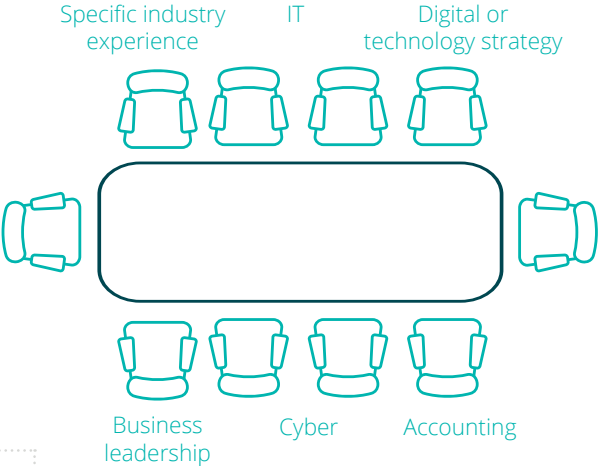
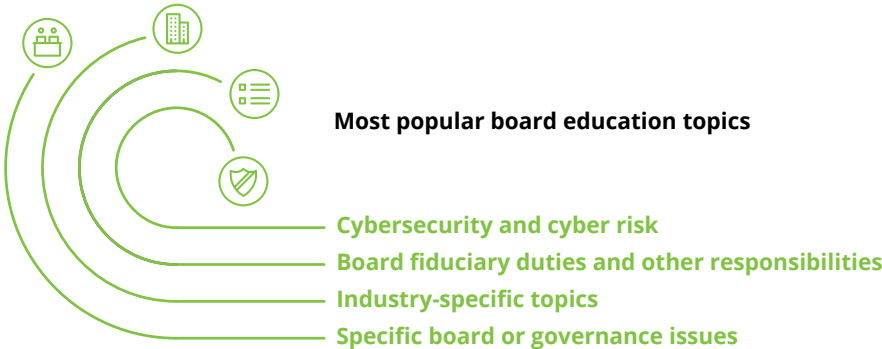
Key findings

Board diversity and refreshment

Ninety-four percent said their boards are looking to increase board diversity. Of these, **the majority (61%) said their boards are looking to increase gender diversity** – far exceeding race and ethnicity (48%) and professional skills or experience (43%). **Boards seeking to increase their diversity most commonly look to referrals from current directors (77%),** suggesting that networking is still key to board succession, though search firms came in a close second (73%).

Professional experience recruitment priorities

Specific industry experience topped the list. Also in the top 10: business leadership; accounting; digital or technology strategy (e.g., artificial intelligence, cryptocurrency, and social media); cyber; and IT (e.g., infrastructure, operations). While other types of professional experience, such as marketing and HR, may be overdue for board representation (and could contribute to diversity), they do not seem to be gaining traction as stand-alone recruitment priorities.



Allocation of risk

A challenge many boards face is how best to allocate the oversight of various risks, particularly those related to cyber; corporate culture; and corporate social responsibility, sustainability, and social impact. In these areas, respondents indicated:¹



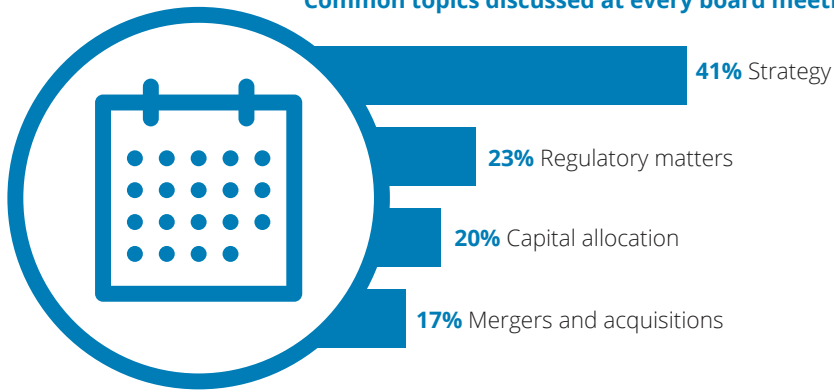
How boards and/or committees monitor, evaluate, and participate in their company's culture and behavior



¹Respondents could select all that apply, as areas of risk oversight are frequently allocated to a mix of the full board and one or more board committees.

What boards are talking about – and when

Common topics discussed at every board meeting



Strategy topped the list of topics discussed at every board meeting (41%).

As anecdotal reports have suggested that boards discuss strategy and the strategic plan at every board meeting, the fact that less than a majority of respondents selected this response may be a result of strategy being discussed in conjunction with other agenda items rather than as a stand-alone item.

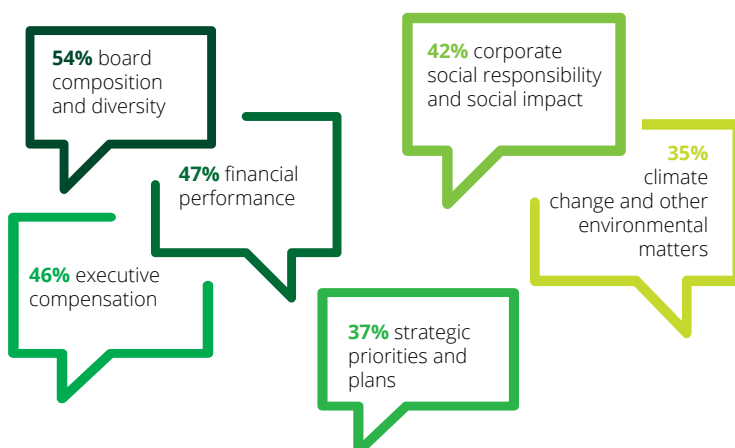
Topics most often discussed on an annual basis are board and executive evaluations (95% and 81%, respectively) and executive succession planning (61%).

This is followed by board succession planning and board composition and diversity, at 56% and 55%, respectively.

Discussions about shareholders (e.g., sentiment, priorities, engagement, activists) occur annually for 27% of respondents.

Shareholder engagement

The most common topics shareholders have discussed or asked to discuss with management and/or the board during the past year



Transparency and disclosure



Fifty-six percent anticipate their companies will increase disclosure related to **corporate social responsibility, sustainability, and social impact** in the next 12-18 months.

Twenty-six percent anticipate an increased level of disclosure related to a **board skills matrix**.

Twenty-four percent anticipate an increase in their **workforce diversity & inclusion** disclosure.

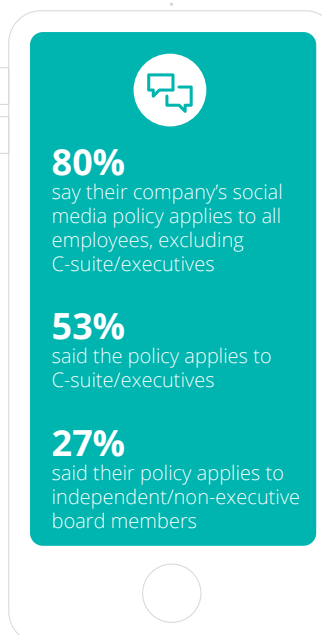
These numbers suggest that the companies in question are paying attention to investor demands for more information about board oversight of these areas.



Around one-third said their boards do not disclose nor anticipate disclosing information related to workforce gender equity and workforce pay equity.

Social media practices

The prevalence and impact of social media use in conjunction with a company's business and operations is an emerging and evolving topic; it is one of increasing focus that many companies are just beginning to tackle - from a governance standpoint in particular.



With regard to whether board members are permitted to comment on the company and/or industry via social media, **19% said that their company policy prohibits board members from using social media in relation to their companies** and **63% said this is neither expressly permitted nor prohibited**.

Less than one-quarter said their board has received a report on, or discussed the use of, social media by employees, customers, or board members.



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