Governance Insights Center

The collegiality conundrum
Finding balance in the boardroom

PwC’s 2019 Annual Corporate Directors Survey
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Introduction

During a time of increasing economic uncertainty and global trade tensions, public companies are under constant pressure to perform. While much of this pressure falls on the management team, it also falls on the board, as the company’s ultimate governing body. The board is responsible for overseeing the company’s strategic course and its most critical decisions. Shareholders—especially the powerful index funds, who now vote nearly one-third of all shares in the S&P 500—are increasingly focused on some of the individuals making those decisions.\(^1\) During the 2019 proxy season, directors on Russell 3000 boards saw the highest level of opposition since 2011.\(^2\)

PwC’s 2019 Annual Corporate Directors Survey, which collected the views of over 700 public company directors, shows that directors themselves feel a record level of dissatisfaction with their peers. Corporate boards, however, are famously slow to turn over.\(^3\) In part, this can be due to a lack of rigorous board refreshment practices, but it also comes down to the nature of corporate boards. Boards pride themselves on their collegiality. Each director is treated as a peer who is equally valued. They generally don’t compete for status or roles. They don’t openly criticize their fellow directors. And they often have a hard time asking a fellow director to step down if he or she is no longer contributing.

This difficulty in encouraging changes to the board illustrates the conundrum facing directors. While a certain degree of collegiality can encourage a productive, respectful setting, too much risks the board’s ability to be effective.

We see the collegiality conundrum coming through in other ways as well. Directors say they have difficulty voicing dissent—something that is critical for a high-performing board. The desire to have a collegial boardroom also contributes to directors’ pushback against shareholders’ increasing influence over their agendas. While shareholders emphasize issues like board diversity and ESG, many directors have a different view. They would rather have control over their own board makeup and set their own agendas.

This is not to say that directors are not doing more. They feel more prepared for a company crisis, and feel better able to address serious cyber issues. They report positive shareholder engagement, and board composition is getting more diverse. The board assessment process is also getting more robust.

Read on for our full report covering these topics and others, including our practical tips and approaches in the “PwC perspective” sections. The complete survey findings can be found in the appendix, and for a breakdown by respondent gender, see The gender divide: Where views on governance differ.

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1. Lazard’s Shareholder Advisory Group, Review of Shareholder Activism—H1 2019, July 2019. The largest institutional owners in the S&P 500 as of July 2019 are Vanguard (8.2% of the S&P 500), BlackRock (6.7%) and State Street (4.5%).
3. In 2018, just 428 new independent directors were added in the S&P 500—fewer than one per board. Spencer Stuart, 2018 United States Spencer Stuart Board Index, October 2018.
More than ever, directors (privately) give colleagues a failing grade
Nearly half of directors (49%) say that one or more directors on their board should be replaced—a high-water mark for our survey.

Support for board diversity is fading
After climbing steadily for years, the percentage of directors saying that diversity is very important on their boards has fallen—by nearly 10 points since 2018.

Directors—including a majority of women—reject diversity mandates
83% of directors, including more than 50% of female directors, say they do not support laws mandating gender board diversity such as those passed by California.

Majority rules: boardrooms stifle pushback
Forty-three percent of directors say it is difficult to voice a dissenting view in the boardroom.

Assessments drive change, but boards avoid the tough stuff
More directors say their boards are taking action on board performance assessments (72%, up from 49% in 2016) but most focus on adding expertise or diversity, rather than the more difficult tasks of counseling or not renominating directors.

Enough already! Directors say ESG is overblown
More than half of directors (56%) say investors devote too much attention to environmental/sustainability issues, even though only 50% think their board has a strong understanding of the ESG issues impacting their company.

Who’s responsible for culture? Everyone... including the board
While most directors peg culture problems on the tone at the top at the upper and middle management levels, an increasing number say the board has a role as well.
More than ever, directors (privately) give colleagues a failing grade

Board composition continues to be a major issue in boardrooms. Institutional investors emphasize the need for high-quality, competent directors to effectively oversee the company, and the importance of having diversity within that group. Lawmakers have even begun to pass legislation relating to board composition.

But even with all of this external focus on board composition, directors are still critical of their peers—now more than ever. Nearly half of directors (49%) say that at least one person on their board should be replaced—a four point increase since just last year. Twenty-three percent (23%) think that two or more directors need to go.

This represents a high water mark in director dissatisfaction in our survey, and yet board turnover remains low. Just 406 independent directors left S&P 500 boards in 2018—fewer than one director per board.4 And a majority of those departing directors were at or near the board’s retirement age, indicating that most are aging out of service rather than stepping down because they are no longer the right fit for the board. Particularly when boards strongly value collegiality and mutual respect, discussions about individual contributions are difficult—and therefore often avoided.

Directors voice a variety of complaints about their peers. Criticisms include a reluctance to challenge management (15%), overstepping the boundary of the board’s oversight role (13%) and an interaction style that negatively impacts board dynamics (13%).

Directors on boards with executive chairs are the most dissatisfied with peers

61% of directors on boards with CEO chairs say that at least one fellow director should be replaced—compared to just 47% of directors on boards with an independent chair or a lead independent director.

49% of directors say at least one director on their board should be replaced

How many directors on your board should be replaced?

- 0
- 1
- 2
- More than 2

49% 26% 16% 7%

Q3: In your opinion, how many directors on your board should be replaced? (select one) Base: 731

4. Spencer Stuart, 2018 United States Spencer Stuart Board Index, October 2018.
Assessments drive change, but boards avoid the tough stuff

Many institutional investors and corporate governance experts emphasize the importance of board/director performance assessments, and the need to use those assessments to spur board changes. It appears these messages are having an impact.

Sixty-one percent (61%) of directors now report that their board conducts individual director assessments, which is viewed as a best practice. And almost three-quarters of directors (72%) say their boards have made changes in response to their last assessment process—up from just 49% in 2016. For many, the days of the “check-the-box” assessments are over.

But while it is a positive sign that boards are making changes, most are focusing on adding additional expertise, diversifying the board and/or changing the composition of committees. These changes may have an impact, but few are taking the hardest steps—providing counsel to an underperforming board member, or not renominating a director. This comes through in the annual data showing that fewer than one independent director per S&P 500 board stepped down in 2018.5 Boards’ inability to take these difficult steps may be contributing to a record high level of director dissatisfaction with their peers (see page five).

Taking the easier path on board assessments

Q10: In response to the results of your last board/committee assessment process, did your board/committee decide to do any of the following? (select all that apply)

- Changed composition of board committees: 26%
- Diversify the board: 27%
- Add additional expertise to the board: 42%
- Provide counsel to one or more board members: 15%
- Not renominate a director: 3%

Base: 729

5. Spencer Stuart, 2018 United States Spencer Stuart Board Index, October 2018.
The collegiality conundrum

Finding balance in the boardroom

Collegiality on corporate boards is highly valued. When thinking about their next board member, directors often focus on finding the candidate who will “fit in” with their board culture. And given the low turnover rates, board composition remains largely static over time.

But this sense of collegiality, while it may improve some aspects of board service, comes at a cost. When boards feel like a cohesive team, they are reluctant to break up the group. A director who may not be contributing as much to the board, or whose skill set is no longer relevant, is less likely to be encouraged to step down. The board’s performance may be suffering as a result.

The challenge is in finding the right place for collegiality while keeping the focus on board effectiveness. To begin to address the problem, directors can:

- Ensure that the board’s lead director and committee chairs have the gravitas and character required to challenge board members to do their best, to solicit and respect dissenting views, and to be willing to be honest with underperforming directors.

- Include questions in the board’s self-assessment process that will uncover whether directors feel they have the ability to speak up in meetings, and whether they feel the tone of the boardroom ever inhibits frankness.

- Encourage diversity on the board. Directors with diverse backgrounds often bring diverse viewpoints to the discussion, and can help to shine light on potential blind spots for the board.

Collegiality has a place in the boardroom, to be sure, but it is every board member’s responsibility to ensure that it doesn’t stand in the way of board effectiveness.

Calling on leadership to push for board refreshment

Even as investors and others focus on board composition and refreshment, public company board seats are slow to turn over, and refreshment lags.

Few boards have meaningful term limit policies for directors, and solely using a mandatory retirement age can be ineffective. In reality, driving refreshment often falls to board leadership. And leadership takes the blame when it isn’t working.

Almost one-quarter of directors (24%) point to board leadership’s unwillingness to have difficult conversations with fellow directors as a major barrier to board refreshment. They also cite an ineffective assessment process (20%) and a collegial atmosphere (18%) as barriers. While collegiality in the boardroom can be a critical part of consensus building, it can also sometimes inhibit a board’s ability to bring about necessary change.

Older directors less likely to see roadblocks in board refreshment

60% of directors aged 71 and older say there are no major barriers to board refreshment—compared to just 39% of directors 60 and under.

Q4: In your opinion, what are the major barriers to board refreshment? (select all that apply)
Base: 382

PwC perspective: The risks of collegiality

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Board practices

Majority rules: boardrooms stifle pushback

Corporate boardrooms are fundamentally different than most other professional environments. Directors generally view one another as peers, not as competitors.

Yet one of the most important roles of the board is in asking the hard questions. It falls on directors to ensure that the company is fundamentally making the right strategic decisions and moving on the right track. Directors need to be confident that the board is arriving at the right conclusions through an honest debate. But the collegial nature of boardrooms may be contributing to directors’ reluctance to push back during boardroom discussions.

More than two out of five directors (43%) say that it is difficult to voice a dissenting view in the boardroom. While no board wants to be bogged down with needless debate, it falls on board leadership to ensure that all views in the room can be heard and considered. When directors feel inhibited in their ability to push back, something important is lost.

CEO chairs may stymie dissent

Directors who say it is difficult to voice a dissenting view on one or more issues

Q14. In your opinion, on which of the following issues is it difficult to voice a dissenting view in the boardroom? (select all that apply)

Base: 622


43% of directors say it is difficult to voice a dissenting view on at least one topic inside the boardroom.

Suppressing dissent in the boardroom

57% Directors on boards with a CEO chair

41% Directors on boards with a non-executive chair or lead independent director
As processes improve, shareholder engagement brings benefits

While shareholder engagement once consisted of just investor relations or management teams meeting with shareholders, it now commonly includes board members as well. Vanguard, for example, reports that nearly 50% of their engagements include independent directors.\(^6\) And more than half of directors (51%) tell us that a member of their board (other than the CEO) had direct engagement with a shareholder in the last 12 months.

As engagement becomes more common, boards are devoting more time and energy to the process—and so are investors. As a result, directors’ view of the process is improving. Most say that the right investor representatives were at the meeting (94%, up from 73% in 2016), and that investors are well prepared (91%, up from 63%). Directors are also more likely to see a positive impact on shareholders’ voting and investing decisions.

**Shareholder engagement improves**

![Shareholder Engagement Improvement](chart)


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Q15a: To what extent do you agree with the following regarding your board’s direct engagement with investors?

<table>
<thead>
<tr>
<th>Response</th>
<th>2019</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>The right investor representatives were present at the meeting</td>
<td>94%</td>
<td>73%</td>
</tr>
<tr>
<td>Investors were well prepared for the engagement</td>
<td>91%</td>
<td>63%</td>
</tr>
<tr>
<td>It positively impacted (or is likely to positively impact) proxy voting</td>
<td>87%</td>
<td>59%</td>
</tr>
<tr>
<td>It positively impacted (or is likely to positively impact) investing decisions</td>
<td>74%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Responses: Very much and somewhat

Base: 345-362 (2019); 328-525 (2016)

Crisis management comes into focus

After witnessing crisis descend on many unprepared companies—from an unexpected CEO departure to regulatory cheating scandals to supply chain disruptions—directors report that their boards are increasingly taking action to be prepared.

Almost all directors (96%) say they have discussed management’s plan to respond to a major crisis, a 12 point increase since 2018. Directors are also increasingly engaging in what have traditionally been less common activities, including creating a written escalation policy and participating in tabletop exercises. These efforts can provide directors with some of the concrete tools they would need in a crisis situation.

### Boards getting prepared for when crisis hits

- **Discussed management’s plans to respond to a major crisis**: 96% in 2019, 84% in 2018
- **Discussed protocols to determine whether, and when, to contact a regulatory/enforcement agency**: 87% in 2019, 63% in 2018
- **Identified or contracted with outside advisors (e.g., law firm or public relations firm)**: 86% in 2019, 64% in 2018
- **Created a written escalation policy or agreement**: 76% in 2019, 47% in 2018
- **Participated in tabletop exercises/crisis management scenarios**: 56% in 2019, 28% in 2018

**Q24: With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial reporting fraud allegations), has your board done the following?**

**Base:** 267-622 (2019), 663-676 (2018)

**Sources:** PwC, 2019 Annual Corporate Directors Survey, October 2019; PwC, 2018 Annual Corporate Directors Survey, October 2018.

Many more boards preparing with tabletop exercises

The percentage of directors participating in crisis management tabletop exercises doubled since last year, from **28% to 56%**.
Increasing the profile of cybersecurity in the boardroom

Cybersecurity has been a key concern for most companies during recent years. Cyber threats loom large and companies realize how difficult they can be to manage. For years, directors have been increasingly saying that they need cyber risk expertise on the board. They also say they need sufficient cyber reporting from management, and the ability to give the issue enough air time in the boardroom.

In the past five years, directors report a sizable increase in the level of cyber oversight in the boardroom. Roughly three-quarters of directors say their boards have discussed the company’s crisis response plan in the event of a major security breach (78%), the company’s cyber insurance coverage (74%) and whether to engage an outside cybersecurity expert (74%). These numbers represent increases of more than 25 points since 2014.

Boards focus in on cybersecurity

More directors say their boards have discussed:

- The company’s crisis response plan in the event of a major security breach: 78% (2019), 52% (2014)
- The company’s cyber insurance coverage: 74% (2019), 33% (2014)
- Engaging an outside cybersecurity expert: 74% (2019), 42% (2014)
- The results of an outside cybersecurity expert’s evaluation/testing: 71% (2019), 39% (2014)

Q18: With regard to cybersecurity issues, has your board or its committees discussed the following?

Base: 640-671 (2019); 720-735 (2014)

Boards are also becoming confident about their approach to cybersecurity oversight. More than three-quarters of directors (78%) say that the right board entity is dealing with the issue. Most also say that they are getting quality metrics and that they have enough time on the agenda to address cybersecurity. Yet there remain areas for improvement. Fewer than 40% of directors say that the board fully understands the cybersecurity risks facing the company (37%) or that the board has sufficient expertise in cybersecurity (36%).

### Most directors say their boards have a handle on cybersecurity

- 78% Cybersecurity is being overseen by the appropriate board entity (e.g., audit committee, risk committee, full board)
- 66% The board receives meaningful reporting on cybersecurity metrics
- 63% There is sufficient time on the agenda to discuss cybersecurity
Support for board diversity is fading

The issue of gender diversity on public company boards has dominated corporate governance over the past several years. But the dialogue is beginning to shift as the number of women joining public company boards continues to grow.

As the composition of boards slowly changes, more than ever, directors agree that board diversity has benefits. Large majorities say that it brings unique perspectives (94%), enhances board performance (87%) and improves relationships with investors (84%). More than three-quarters (76%) also agree that board diversity enhances the performance of the company.

But at the same time, directors’ view of the importance of board diversity is changing. The percentage of directors in 2019 saying that gender diversity is very important on their boards fell to 38% — a level not seen in our survey since 2014. The percentage saying the same about racial/ethnic diversity fell from 34% to 26%, and the figures for age diversity fell from 21% to 14%.

Fewer directors say board diversity is very important

Q1: How would you describe the importance of having the following skills, competencies or attributes on your board? Gender diversity; Racial/ethnic diversity
Response: Very important
And in a marked increase, 63% of directors say that investors devote too much attention to board gender diversity (up from 35% last year) and 58% say the same about racial/ethnic diversity (up from 33%).

As boardrooms become more diverse, directors see the benefits that different viewpoints bring. Yet they seem to be tiring of the external pressure. After years of hearing about the need for gender diversity, and experiencing their boards’ response by bringing on new directors, many may be feeling ready to move on to other topics. But that does not mean that progress on the issue should come to a halt, as it remains a critical issue for boards to confront.

**Major developments in board gender diversity**

- **March 2017**
  State Street Global Advisors launches its “Fearless Girl” campaign; announces votes against board members at companies without a single female director.

- **February 2018**
  BlackRock’s revised proxy voting guidelines expect companies to have at least two female directors.

- **December 2018**
  Spencer Stuart Board Index reports that a record-breaking 40% of the 2018 incoming independent directors in the S&P 500 are female.

- **July 2019**
  For the first time, every company in the S&P 500 has at least one female director.

- **September 2017**
  New York City Pension Fund’s Boardroom Accountability Project 2.0 seeks disclosure of the skills, race and gender of board members in a standard matrix format.

- **October 2018**
  New law will require CA-headquartered companies to have a minimum number of female directors starting in 2019.

- **December 2018**
  Glass Lewis’ revised policy will recommend votes against the nominating committee chair of boards with no female directors beginning in 2019; ISS announces the same policy beginning in 2020.

**Directors think shareholders are too focused on board gender diversity**

63% of directors think shareholders devote too much attention to board gender diversity, up from just 35% in 2018.
Directors—including a majority of women—reject diversity mandates

In 2018, California passed a boardroom gender diversity law—the first of its kind in the United States. The law requires all public companies headquartered in the state to meet minimum threshold requirements of female directors beginning in 2019. Other states are considering similar requirements.

But the vast majority of directors (83%) do not support laws mandating gender diversity. Two-thirds of directors (67%) somewhat or very much agree that boards will just become naturally more diverse over time, and many support efforts at the board search stage.

We often hear of the desire to recruit directors who fit in with the board’s culture. To that end, many boards want to feel that the selection process is fully within their power. The fact that the board would be required to bring on certain directors to increase its diversity brings concerns, for some, that the collegiality they value so highly will be lost. Yet as we’ve seen, it’s that collegiality that may make the board inhospitable to dissenting or under-represented views that could be valuable to the discussion.

What diversity efforts do directors support?

Q9: To what extent do you support the following methods of achieving diversity on public company boards?
Responses: Very much and somewhat
Base: 717-723

- Board policies of always interviewing a diverse slate of candidates (e.g., the “Rooney Rule”): 82%
- Search firm policy of always offering diverse slates of candidates: 80%
- Institutional investor engagement with companies lacking board diversity: 67%
- Laws mandating board diversity (e.g., California law requiring a certain number of female directors on boards): 17%
**PwC perspective: How to make gender diversity happen on your board**

Although more boards are adding female directors every year, progress overall still remains slow. Here are five ways to kick-start the effort on your own board.

1. **Review the benefits.** Research shows that diversity on teams leads to greater innovation and better decision making, and that diverse boards are linked with stronger company performance.

2. **Understand that one may not be enough.** Boards benefit from having a critical mass of female directors—ideally at least three.

3. **Rethink director criteria.** Using the same criteria often yields the same types of directors. To find more diversity, boards should be thinking more broadly and focusing on candidates’ skills and experience, rather than job titles.

4. **Require a 50-50 slate for director candidates.** Require that at least half of every group of candidates put forth by a search firm is comprised of candidates who would increase the board’s diversity.

5. **Expand the size of the board.** To counteract the impact of low turnover of board seats, many are temporarily increasing the size of the board to make room for diverse voices.

For more, see “You’ve Committed to Increasing Gender Diversity on Your Board. Here’s How to Make it Happen.”
What creates diversity of thought?
Directors have a changing view

Boards are taking calls for diversity to heart. Three-quarters of directors (75%) say their board is looking to increase its diversity. And they are much more likely to say their board’s efforts are driven by the desire for more diversity of thought (51%) or to be in line with best practices (46%), rather than to be politically correct (13%).

But while they are making efforts to increase their diversity, their views on how to achieve diversity of thought are changing. Directors still think gender diversity and racial/ethnic diversity are important. But compared to 2017, fewer see the value of other elements of diversity like age, board tenure, international experiences and socio-economic diversity.

A changing view of diversity of thought
Percentage of directors saying that the element is important for diversity of thought

<table>
<thead>
<tr>
<th>Element</th>
<th>2019</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender diversity</td>
<td>88%</td>
<td>89%</td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>77%</td>
<td>76%</td>
</tr>
<tr>
<td>Diversity of age</td>
<td>76%</td>
<td>91%</td>
</tr>
<tr>
<td>Diversity of board tenure</td>
<td>73%</td>
<td>88%</td>
</tr>
<tr>
<td>International background</td>
<td>54%</td>
<td>77%</td>
</tr>
<tr>
<td>Diversity of socio-economic background</td>
<td>39%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Q7: How important are the following factors in achieving diversity of thought in the boardroom?
Responses: Very important and somewhat important
Base: 726-731 (2019); 878-884 (2017)
Directors lukewarm on a stakeholder model of governance

In August 2019, nearly 200 chief executives from the Business Roundtable ("BRT"), including the leaders of some of the US’s largest companies, indicated a shift in how they define the purpose of corporations in society. In a statement, the BRT argued that companies should no longer seek to advance only the interests of shareholders. Instead, they said, corporations should consider a broader stakeholder model that includes the interests of employees, customers, suppliers and the communities in which they work.

While many business leaders offered their support for this stakeholder-centric model, directors are mixed. Only 58% agree that companies should prioritize a broader group of stakeholders when making company decisions.

When it comes to the idea of corporations having a social purpose, however, directors are on board. Most agree that companies should have a social purpose, and that a social purpose and company profitability are not mutually exclusive.

Female directors show more support for stakeholder model

71% of female directors support a broader stakeholder model of governance, compared to 54% of male directors.

Directors say companies should have a social purpose, but do not agree on the stakeholder model

83% Social purpose and company profitability are not mutually exclusive
73% Companies should have a social purpose
58% Companies should prioritize a broader group of stakeholders in making company decisions (rather than just shareholders)

Q29: To what extent do you agree with the following?
Responses: Very much and somewhat
Base: 710-711
Enough already! Directors say ESG is overblown

Institutional investors have put a strong focus on environmental, social and governance (ESG) issues in recent years. They are increasingly looking for reporting from companies on how they take material ESG-related risks into account and what sustainability efforts they are undertaking. They are also encouraging companies to take a long-term approach to thinking about how the company will thrive in a changing world.

Yet while investors’ focus on these topics has been increasing, director support wanes. Since just last year, many more directors say that investors are giving too much time and focus to issues such as board diversity, environmental/sustainability issues and corporate responsibility. As with the push back against diversity mandates, this may in part be directors’ desire to feel that they are in control of their own boardrooms, rather than letting external factors set their agendas.

One area where directors think investors are getting it right? Their focus on long-term stock performance. Three-quarters of directors (75%) say investors are giving it the right amount of attention, versus just 56% in 2018.

Directors increasingly say investors’ focus on ESG is excessive

Directors saying that investors devote too much attention to:

<table>
<thead>
<tr>
<th>Issue</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board gender diversity</td>
<td>35%</td>
<td>63%</td>
</tr>
<tr>
<td>Board racial/ethnic diversity</td>
<td>33%</td>
<td>58%</td>
</tr>
<tr>
<td>Environmental/sustainability issues</td>
<td>29%</td>
<td>56%</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>29%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Q27: Do you feel that institutional investors devote too much attention, just the right amount of attention or not enough attention to the following issues?
Base: 339-390 (2019); 696-698 (2018)
Sources: PwC, 2019 Annual Corporate Directors Survey, October 2019; PwC, 2018 Annual Corporate Directors Survey, October 2018.

Female directors far more supportive of investor focus on environmental issues

64% of female directors think investors are giving environmental/sustainability issues the right amount of attention, compared to just 33% of male directors.
ESG fails to find a home in the boardroom

Even as shareholders continue to emphasize the importance of ESG issues, directors are less focused on the topic.

Only 57% of directors say that ESG is a part of their enterprise risk management discussions, despite the calls from investors to think of ESG in terms of risk and opportunity. And only half say that the board has a strong understanding of ESG issues, that ESG is important to the company’s shareholders or that ESG issues are linked to the company’s strategy.

With these views, it’s not surprising that only 34% say that ESG is regularly a part of the board’s agenda. But as ESG issues continue to grow in importance for investors, it falls to board leadership to ensure that the topic and related risks and opportunities are given enough attention in the boardroom.

ESG remains on the sidelines in many boardrooms

- 57% of directors say that ESG issues are a part of the board’s enterprise risk management (ERM) discussions.
- 50% agree that the board has a strong understanding of ESG issues impacting the company.
- 50% believe that ESG issues are important to the company’s shareholders.
- 50% think that ESG issues are linked to the company’s strategy.

Q23: Which of the following statements do you agree with about ESG (environmental/social/governance) issues? (select all that apply)

Base: 660
When it comes to specific environmental and social issues, fewer directors say these topics should have an impact on company strategy. The percentage of directors saying that issues like health care, resource scarcity and human rights should “very much” be taken into account when developing company strategy fell between 5 and 10 points from last year.

Fewer directors think environmental/social issues should impact strategy

Q22: To what extent do you think your company should take the following issues into account when developing company strategy?
Response: Very much
Base: 702-709 (2019); 671-677 (2018)
Sources: PwC, 2019 Annual Corporate Directors Survey, October 2019; PwC, 2018 Annual Corporate Directors Survey, October 2018.

For many, the term “ESG” brings to mind environmental issues like climate change and resource scarcity. These are elements of ESG, but the term means much more. It also covers social issues, like a company’s labor practices, talent management, product safety and data security. It covers governance matters, like board diversity, executive pay and business ethics. These are topics that can materially impact a company’s long-term value.

Directors play a key role in helping bring ESG issues into focus for the company and thinking about the risks and opportunities that these issues pose. Key questions to raise in the boardroom include:

- Are ESG risks included in our ERM program?
- Is ESG being baked into our long-term strategy?
- Do we have the information we need to oversee our ESG strategies and risks?
- Are we using a framework such as one of those outlined by the Sustainability Accounting Standards Board to assess/report ESG metrics at our company?
- Can we improve the transparency of our ESG disclosures considering investors’ expectations?
- Are we effectively telling our ESG story to investors?

Read Mind the gap: the continued divide between investors and corporates on ESG for information about how shareholders and companies can come together on their shared ESG goals, and ESG in the boardroom: What directors need to know for more about the role directors can play.
Who’s responsible for culture? Everyone… including the board

The first spotlight on culture for many companies used to be when there was a company crisis and they needed to peel back the layers to figure out the extent of the problem. A wave of recent corporate culture scandals has encouraged other companies and boards to take a harder, more proactive look at their own culture, before the crisis hits.

As a part of this trend, we see a shift in which factors directors think are to blame for culture problems. While tone at the top remains the most common answer, more directors point to middle management (59% strongly agree, compared to 45% in 2018). And boards are taking more accountability as well. The percentage of directors strongly agreeing that lack of board oversight contributes to culture problems went up from 18% in 2018 to 29% this year.

Spreading the blame for corporate culture problems

<table>
<thead>
<tr>
<th>Percentage of directors who strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tone set by executive management</td>
</tr>
<tr>
<td>73%</td>
</tr>
<tr>
<td>69%</td>
</tr>
<tr>
<td>Tone set by middle management</td>
</tr>
<tr>
<td>59%</td>
</tr>
<tr>
<td>45%</td>
</tr>
<tr>
<td>Lack of communication/transparency from management</td>
</tr>
<tr>
<td>33%</td>
</tr>
<tr>
<td>27%</td>
</tr>
<tr>
<td>Lack of board oversight</td>
</tr>
<tr>
<td>29%</td>
</tr>
<tr>
<td>18%</td>
</tr>
</tbody>
</table>

Q20: To what extent do you agree or disagree that the following factors contribute to problems with corporate culture?
Base: 696-705
The most common steps that directors report taking to address corporate culture are enhancing employee development/training programs (60%) and whistleblowing programs (43%). Many also say that their companies increased board-level reporting and that they conducted a broad-based employee culture assessment.

### How boards are taking action on culture problems

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced employee development/training programs</td>
<td>60%</td>
</tr>
<tr>
<td>Enhanced whistleblower programs</td>
<td>43%</td>
</tr>
<tr>
<td>Increased board-level reporting of culture metrics</td>
<td>32%</td>
</tr>
<tr>
<td>Conducted a broad-based employee culture assessment</td>
<td>31%</td>
</tr>
</tbody>
</table>

Q19: Several high-profile companies’ reputations have been damaged recently by what could be called failings in their corporate culture. Which of the following actions has your company taken to address corporate culture? (select all that apply)

Base: 714

More work to be done on talent management

The focus on the workforce has increased as companies compete for talent in a tight labor market. And in general, directors give their companies strong scores in talent management. Ninety-one percent (91%) say that their company does an excellent or good job at providing competitive pay and benefits, and 85% say the same about their development and retention of talent.

But the areas where directors still think their companies struggle is with diversity in the workforce. Less than one-fifth of directors give their companies an excellent score at recruiting a diverse workforce (16%), or at developing diverse executive talent (15%). And 83% of directors agree that companies should be doing more to promote gender/racial diversity in the workplace.

Companies fall short on diversity efforts

- Recruiting a diverse workforce: 16%
- Developing diverse executive talent: 15%

Q25: How would you rate the job your company does on the following aspects of talent management?
Response: Excellent
Base: 697

PwC perspective: Talent management – a new board imperative

Traditionally, directors have focused their talent management efforts on the C-suite, leaving oversight of the broader workforce to senior executives. But many boards have come to understand that a strategy is only as good as a company’s ability to execute it. And strong execution requires talented people at all levels of the organization—particularly when most companies are reinventing themselves to contend with disruption and technological advancements.

Boards can focus their efforts to ensure that developing and managing talent is one of the company’s top priorities.

- Assign talent management responsibility to either the full board or a dedicated committee so everyone understands their roles and responsibilities
- Incorporate talent into strategy discussions
- Make talent management experience a key selection criteria for new board members and highlight existing capabilities
- Encourage management to make the chief human resources officer a strategic role, and ask for regular updates
- Make talent management a key performance indicator for executive compensation

For more, read A deeper dive into talent management: the new board imperative.
Who has a say on executive pay?

Recently, much of the attention on executive compensation has been on the ways in which companies are tying pay to company performance, including non-financial metrics such as leadership and diversity goals. Increasingly, compensation questions are centered around issues such as the gender pay gap at companies, and using CEO pay ratio figures as part of the conversation on income inequality.

Compensation consultants continue to have tremendous influence on executive compensation. But the broader discussions about pay could be part of why directors say that employee influence on their executive pay decisions has jumped. In 2016, only 28% said employees had a moderate or significant impact, while 51% say the same this year.

Other voices are having a greater impact on these decisions as well. More than half of directors (61%) now say that institutional shareholders have at least a moderate influence—up from just 42% in 2016. And the number of directors saying the same about CEO pressure jumped from 34% in 2016 to 50% this year. CEOs are typically also board members. As boards strive to be collegial, part of that conundrum may be finding the right way to achieve balance in the sensitive issue of pay.

**Employee influence on executive compensation ramps up**

51% of directors say employees have an influence on the pay of company executives—up from just 28% in 2016.

### Broadening influences on executive compensation

<table>
<thead>
<tr>
<th>Source</th>
<th>2019 (%)</th>
<th>2016 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation consultants</td>
<td>88%</td>
<td>90%</td>
</tr>
<tr>
<td>Institutional shareholders</td>
<td>61%</td>
<td>42%</td>
</tr>
<tr>
<td>Employees</td>
<td>51%</td>
<td>28%</td>
</tr>
<tr>
<td>CEO pressure</td>
<td>50%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Q26: Rate the level of influence that the following have over your board’s decisions on executive compensation.

Responses: Very much and moderate

Base: 693-705 (2019); 796-819 (2016)

Appendix: complete survey findings

Board composition/diversity

1. How would you describe the importance of the following skills, competencies or attributes on your board?

<table>
<thead>
<tr>
<th>Skill/Attribute</th>
<th>Very Important</th>
<th>Somewhat Important</th>
<th>Not Very Important</th>
<th>Not At All Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial expertise</td>
<td>89</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational expertise</td>
<td>51</td>
<td>44</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Risk management expertise</td>
<td>50</td>
<td>44</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Industry expertise</td>
<td>22</td>
<td></td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Gender diversity</td>
<td></td>
<td>93</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>26</td>
<td>40</td>
<td>19</td>
<td>6</td>
</tr>
<tr>
<td>Cyber risk expertise</td>
<td></td>
<td>69</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>IT/digital expertise</td>
<td>23</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International expertise</td>
<td>21</td>
<td>39</td>
<td>31</td>
<td>13</td>
</tr>
<tr>
<td>Marketing expertise</td>
<td>16</td>
<td>46</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>Human resources expertise</td>
<td></td>
<td>53</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Age diversity</td>
<td>14</td>
<td></td>
<td>51</td>
<td>6</td>
</tr>
<tr>
<td>Environmental/sustainability expertise</td>
<td></td>
<td>10</td>
<td>41</td>
<td>41</td>
</tr>
</tbody>
</table>

Note: Due to rounding, some charts may not add to 100%

2. Do you believe any of the following about any of your fellow board members? (select all that apply)

- 15% Reluctant to challenge management
- 13% Oversteps the boundaries of his/her oversight role
- 13% Interaction style negatively impacts board dynamics (e.g., style/culture/fit)
- 12% Lacks appropriate skills/expertise
- 12% Advanced age has led to diminished performance
- 7% Serves on too many boards
- 5% Consistently unprepared for meetings
- 58% None of the above apply

Note: Due to rounding, some charts may not add to 100%

3. In your opinion, how many directors on your board should be replaced? (select one)

- Zero: 7% (719-727)
- One: 16% (719-727)
- Two: 51% (719-727)
- More than two: 26% (719-727)

Note: Due to rounding, some charts may not add to 100%

4. In your opinion, what are the major barriers to board refreshment? (select all that apply)

- Board leadership’s unwillingness to have difficult conversations with underperforming directors: 24%
- Ineffective process for director assessment: 20%
- Collegiality/personal friendships between board members: 18%
- Lack of meaningful term limits: 17%
- Lack of mandatory retirement age, or retirement age set too high: 15%
- Lack of qualified director candidates or inability to find skills needed: 7%
- There are no major barriers to board refreshment: 26%

Note: Due to rounding, some charts may not add to 100%
5. To what extent do you agree with the following statements about board diversity?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brings unique perspectives to the boardroom</td>
<td>62%</td>
<td>38%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Enhances board performance</td>
<td>49%</td>
<td>49%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Improves relationships with investors</td>
<td>37%</td>
<td>47%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Improves strategy/ risk oversight</td>
<td>34%</td>
<td>49%</td>
<td>18%</td>
<td>2%</td>
</tr>
<tr>
<td>Enhances company performance</td>
<td>28%</td>
<td>46%</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>Board diversity efforts are driven by political correctness</td>
<td>17%</td>
<td>37%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Shareholders are too preoccupied with board diversity</td>
<td>18%</td>
<td>34%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Results in boards nominating unqualified candidates</td>
<td>6%</td>
<td>17%</td>
<td>33%</td>
<td>44%</td>
</tr>
<tr>
<td>Results in boards nominating additional/unneeded candidates</td>
<td>5%</td>
<td>22%</td>
<td>30%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Base: 728-734  

6. If your board is considering increasing its diversity, why? (select all that apply)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire for more diversity of thought in the boardroom</td>
<td>51%</td>
</tr>
<tr>
<td>Desire to be in line with best practices</td>
<td>46%</td>
</tr>
<tr>
<td>To align with proxy advisors' recommendations/policies</td>
<td>24%</td>
</tr>
<tr>
<td>To appease investors</td>
<td>19%</td>
</tr>
<tr>
<td>Desire to be politically correct</td>
<td>13%</td>
</tr>
<tr>
<td>To comply with current or expected legal requirements</td>
<td>11%</td>
</tr>
<tr>
<td>N/A - we are not considering increasing our diversity</td>
<td>25%</td>
</tr>
</tbody>
</table>

Base: 790  

7. How important are the following factors in achieving diversity of thought in the boardroom?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender diversity</td>
<td>52%</td>
<td>36%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Racial diversity</td>
<td>31%</td>
<td>46%</td>
<td>18%</td>
<td>5%</td>
</tr>
<tr>
<td>Diversity of age</td>
<td>27%</td>
<td>49%</td>
<td>20%</td>
<td>4%</td>
</tr>
<tr>
<td>Diversity of board tenure</td>
<td>24%</td>
<td>49%</td>
<td>22%</td>
<td>5%</td>
</tr>
<tr>
<td>International background</td>
<td>18%</td>
<td>32%</td>
<td>36%</td>
<td>14%</td>
</tr>
<tr>
<td>Diversity of socio-economic background</td>
<td>7%</td>
<td>32%</td>
<td>47%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Base: 728-731  

8. In your opinion, what is the optimal percentage of female representation on public company boards? (select one)

- Greater than 50% 44%
- 41-50% 45%
- 21-40% 9%
- 0-20% 2%

Base: 693  

9. To what extent do you support the following methods of achieving diversity on public company boards?

<table>
<thead>
<tr>
<th>Method</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board policies of always interviewing a diverse slate of candidates</td>
<td>52%</td>
<td>30%</td>
<td>13%</td>
<td>5%</td>
</tr>
<tr>
<td>Search firm policy of always offering diverse slates of candidates</td>
<td>49%</td>
<td>31%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Boards will naturally become more diverse over time</td>
<td>28%</td>
<td>39%</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Institutional investor engagement with companies lacking board diversity</td>
<td>24%</td>
<td>43%</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>Institutional investor policy of voting against directors at companies lacking board diversity</td>
<td>12%</td>
<td>29%</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>Proxy advisor policies of negative voting recommendations for boards lacking diversity</td>
<td>10%</td>
<td>28%</td>
<td>34%</td>
<td>27%</td>
</tr>
<tr>
<td>Laws mandating board diversity (e.g., California law requiring a certain number of female directors on boards)</td>
<td>5%</td>
<td>12%</td>
<td>20%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Base: 716-723  
10. In response to the results of your last board/committee assessment process, did your board/committee decide to do any of the following? (select all that apply)

- Add additional expertise to the board: 42%
- Diversify the board: 27%
- Change composition of board committees: 26%
- Provide disclosure about the board’s assessment process in the proxy statement: 16%
- Not renominate a director: 15%
- Provide counsel to one or more board members: 15%
- Use an outside consultant to assess performance: 14%
- Other: 2%
- We did not make any changes: 28%

Base: 729

11. Does your board conduct annual individual director evaluations?

- Yes: 61%
- No: 39%

Base: 728

11a. Who leads the process? (select one)

- Chair of nominating/governance committee: 52%
- Chair of the board: 26%
- Outside third party: 11%
- General counsel: 8%
- Other: 6%

Base: 497

11b. Why not? (select all that apply)

- Our existing process is sufficient: 53%
- Potential negative impact on board collegiality: 22%
- Our board does not feel it is appropriate to evaluate the performance of individuals: 17%
- Board members are reluctant to be evaluated: 11%
- Too time intensive: 5%
- Other: 24%

Base: 264

12. In your opinion, what are the main determining factors in your board’s choice of leadership structure? (e.g., independent chair, combined chair/CEO with or without independent lead director) (select all that apply)

- Good governance: 72%
- Preference for independent board leadership: 41%
- Efficiency: 19%
- CEO insistence on serving as chair: 10%
- Other: 6%
- Request or push from shareholders or proxy advisors: 4%
- Don’t know: 2%

Base: 726

13. With which of the following statements about board service do you agree? (select all that apply)

- The quality of directors has increased over the years: 68%
- The quality of directors has decreased over the years: 7%
- The risk/demands of board service are beginning to outweigh the benefits: 27%
- Director compensation is inadequate: 17%
- Director compensation is appropriate: 72%
- Director compensation is excessive: 3%

Base: 721
14. In your opinion, on which of the following issues is it difficult to voice a dissenting view in the boardroom? (select all that apply)

- Director renominations: 26%
- Director refreshment policies: 12%
- CEO/executive pay: 10%
- Company approach to diversity/inclusion: 8%
- CEO succession planning: 7%
- Public policy/social issues: 7%
- Company strategy: 5%
- Director recruitment: 4%
- Crisis preparedness: 3%
- Company risk appetite: 3%
- None – it is not difficult to voice a dissenting view: 57%

Base: 723

15a. To what extent do you agree with the following regarding your board’s direct engagement with investors?

- The right investor representatives were present at the meeting: Very much 45% Somewhat 49% Not at all 6%
- Investors were well prepared for the engagement: Very much 40% Somewhat 51% Not at all 9%
- The board received valuable insights from the engagement: Very much 37% Somewhat 52% Not at all 13%
- It positively impacted (or is likely to positively impact) proxy voting: Very much 36% Somewhat 51% Not at all 13%
- It positively impacted (or is likely to positively impact) investing decisions: Very much 18% Somewhat 56% Not at all 26%

Base: 346-362

15b. On which of the following topics did a member of your board (other than the CEO) engage in direct communications with shareholders? (select all that apply)

- Strategy oversight: 47%
- Board composition: 38%
- Executive compensation: 37%
- Capital allocation: 32%
- Management performance: 27%
- Shareholder proposals: 24%
- ESG (environmental, social and governance) issues: 23%
- Risk management oversight: 15%
- Other: 7%
- Don’t know: 4%

Base: 359

16. In the past 12 months, which of the following actions has your board taken in response to actual or potential shareholder activism? (select all that apply)

- Regularly communicated with the company’s largest investors: 44%
- Reviewed areas of weakness in company strategy that could be targeted by activists: 26%
- Engaged a third party to advise the board on potential activism: 26%
- Used a stock-monitoring service to receive regular updates on ownership changes: 18%
- Changed board composition: 15%
- Revised executive compensation structures: 13%
- Increased share buybacks/issued special dividend: 8%
- Added a director suggested by an activist shareholder: 6%
- Significantly modified business strategy: 3%
- We took no action: 35%

Base: 715
Cybersecurity

17. In your opinion, which of the following are true about your board? (select all that apply)

- Cybersecurity is being overseen by the appropriate board entity (e.g., audit committee, risk committee, full board) - 78%
- The board receives meaningful reporting on cybersecurity metrics - 66%
- There is sufficient time on the agenda to discuss cybersecurity - 63%
- The board is comfortable with the company’s crisis response plan to address a cybersecurity event - 53%
- The board has sufficient continuing educational opportunities on cybersecurity - 41%
- The board fully understands the company’s cyber strategy and plan - 40%
- The board fully understands the cybersecurity risks facing the company - 37%
- The board has sufficient director expertise in cybersecurity - 36%

Base: 673

18. With regard to cybersecurity issues, has your board or its committees discussed the following?

- The company’s crisis response plan in the event of a major security breach - 78%
- The company’s cyber insurance coverage - 74%
- Engaging an outside cybersecurity expert - 74%
- The results of an outside cybersecurity expert’s evaluation/testing - 71%
- Cyber risk disclosures in response to SEC guidance - 58%
- The need to designate a CISO (Chief Information Security Officer), if none exists - 58%
- An actual breach of the company’s security in the last year - 58%
- The Department of Homeland Security/NIST cybersecurity framework - 42%

Base: 675-671

Strategy/risk

19. Several high-profile companies’ reputations have been damaged recently by what could be called failings in their corporate culture. Which of the following actions has your company taken to address corporate culture? (select all that apply)

- Enhanced employee development/training programs - 60%
- Enhanced whistleblower programs - 43%
- Increased board-level reporting of culture metrics - 32%
- Conducted a broad-based employee culture assessment - 31%
- Implemented a culture/engagement component to strategic plan - 24%
- Revised compensation plans - 20%
- Reviewed and/or amended the company’s crisis management plan - 18%
- Brought in an outside expert to advise on corporate culture - 8%
- Other - 8%
- We have not taken any action - 16%

Base: 714

20. To what extent do you agree or disagree that the following factors contribute to problems with corporate culture?

- Strongly agree: 73%
- Somewhat agree: 59%
- Somewhat disagree: 34%
- Strongly disagree: 16%
- Other: 4%

Base: 685-705

21. Which of the following do you use to evaluate your company’s corporate culture? (select all that apply)

- Employee engagement survey results - 68%
- Employee turnover statistics - 65%
- Intuition/gut feeling from interacting with management - 64%
- Attrition rate of high performers versus total attrition - 51%
- Exit interview debriefs - 45%
- Customer service/satisfaction survey results - 40%
- Code of conduct training results - 39%
- 360° feedback results for executives - 37%
- Number of customer complaints/trends - 29%
- Summary of social media comments - 12%
- Summary of external press - 11%
- Other - 5%

Base: 710
22. To what extent do you think your company should take the following issues into account when developing company strategy?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care availability/cost</td>
<td>51%</td>
<td>19%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Resource scarcity</td>
<td>39%</td>
<td>25%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Human rights</td>
<td>39%</td>
<td>32%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Climate change</td>
<td>36%</td>
<td>32%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Employee retirement security</td>
<td>48%</td>
<td>34%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Income inequality</td>
<td>42%</td>
<td>16%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Social movements (e.g., #MeToo, gun control)</td>
<td>37%</td>
<td>19%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Immigration</td>
<td>49%</td>
<td>17%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

23. Which of the following statements do you agree with about ESG (environmental/social/governance) issues? (select all that apply)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG issues are a part of the board’s enterprise risk management (ERM) discussions</td>
<td>57%</td>
</tr>
<tr>
<td>The board has a strong understanding of ESG issues impacting the company</td>
<td>50%</td>
</tr>
<tr>
<td>ESG issues are important to the company’s shareholders</td>
<td>50%</td>
</tr>
<tr>
<td>ESG issues are linked to the company’s strategy</td>
<td>50%</td>
</tr>
<tr>
<td>ESG issues have a financial impact on a company’s performance</td>
<td>49%</td>
</tr>
<tr>
<td>ESG issues are regularly a part of the board’s agenda</td>
<td>34%</td>
</tr>
<tr>
<td>Disclosing a company’s efforts on ESG-related issues should be a priority for management</td>
<td>30%</td>
</tr>
<tr>
<td>The board needs more reporting on ESG-related measures</td>
<td>29%</td>
</tr>
</tbody>
</table>

24. With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial reporting fraud allegations), has your board done the following?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussed management’s plans to respond to a major crisis</td>
<td>96%</td>
<td>4%</td>
</tr>
<tr>
<td>Discussed protocols to determine whether, and when, to contact a regulatory/enforcement agency</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Identified or contacted with outside advisors (e.g., law firm or public relations firm)</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Created a written escalation policy or agreement</td>
<td>70%</td>
<td>24%</td>
</tr>
<tr>
<td>Participated in tabletop exercises/crisis management scenarios</td>
<td>56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

25. How would you rate the job your company does on the following aspects of talent management?

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing opportunities for high performers to interact with the board</td>
<td>45%</td>
<td>36%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Competitive pay and benefits</td>
<td>36%</td>
<td>52%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>C-suite succession planning</td>
<td>33%</td>
<td>44%</td>
<td>16%</td>
<td>2%</td>
</tr>
<tr>
<td>Developing and retaining talent</td>
<td>28%</td>
<td>57%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Recognizing and addressing gender pay disparity</td>
<td>26%</td>
<td>48%</td>
<td>22%</td>
<td>4%</td>
</tr>
<tr>
<td>Providing the board with necessary metrics to evaluate/oversee talent management</td>
<td>26%</td>
<td>44%</td>
<td>26%</td>
<td>6%</td>
</tr>
<tr>
<td>Middle management succession planning</td>
<td>20%</td>
<td>54%</td>
<td>23%</td>
<td>7%</td>
</tr>
<tr>
<td>Recruiting a diverse workforce</td>
<td>16%</td>
<td>46%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Developing diverse executive talent</td>
<td>12%</td>
<td>30%</td>
<td>38%</td>
<td>7%</td>
</tr>
</tbody>
</table>
26. Rate the level of influence that the following have over your board’s decisions on executive compensation:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very much influence</th>
<th>Moderate influence</th>
<th>Slight influence</th>
<th>No influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation consultants</td>
<td>63%</td>
<td>29%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Institutional shareholders</td>
<td>18%</td>
<td>43%</td>
<td>28%</td>
<td>12%</td>
</tr>
<tr>
<td>Proxy advisory firms</td>
<td>17%</td>
<td>35%</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>CEO pressure</td>
<td>13%</td>
<td>37%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Employees</td>
<td>11%</td>
<td>40%</td>
<td>32%</td>
<td>16%</td>
</tr>
<tr>
<td>Public opinion</td>
<td>10%</td>
<td>43%</td>
<td>39%</td>
<td>1%</td>
</tr>
<tr>
<td>Retail shareholders</td>
<td>2%</td>
<td>16%</td>
<td>43%</td>
<td>1%</td>
</tr>
<tr>
<td>Media</td>
<td>1%</td>
<td>38%</td>
<td>50%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Base: 692-705

27. Do you feel that institutional investors devote too much attention, just the right amount of attention or not enough attention to the following issues?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Too much</th>
<th>Right amount</th>
<th>Not enough</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board gender diversity</td>
<td>60%</td>
<td>33%</td>
<td>7%</td>
</tr>
<tr>
<td>Board racial/ethnic diversity</td>
<td>58%</td>
<td>30%</td>
<td>12%</td>
</tr>
<tr>
<td>Environmental sustainability issues</td>
<td>56%</td>
<td>35%</td>
<td>19%</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>47%</td>
<td>43%</td>
<td>10%</td>
</tr>
<tr>
<td>Executive compensation</td>
<td>46%</td>
<td>50%</td>
<td>4%</td>
</tr>
<tr>
<td>Pay inequality</td>
<td>42%</td>
<td>49%</td>
<td>9%</td>
</tr>
<tr>
<td>Capital allocation</td>
<td>11%</td>
<td>73%</td>
<td>16%</td>
</tr>
<tr>
<td>Long term stock performance</td>
<td>10%</td>
<td>75%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 302-390

28. How confident are you about your company’s prospects for revenue growth over the next:

- 12 months: 52%
- 3 years: 38%
- 5 years: 10%
- 10 years: 1%

Base: 707-709

29. To what extent do you agree with the following?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxy advisory firms should be regulated by the SEC</td>
<td>53%</td>
<td>26%</td>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>Social purpose and company profitability are not mutually exclusive</td>
<td>42%</td>
<td>41%</td>
<td>13%</td>
<td>4%</td>
</tr>
<tr>
<td>The regulatory environment creates a disincentive for companies to go public</td>
<td>34%</td>
<td>46%</td>
<td>17%</td>
<td>3%</td>
</tr>
<tr>
<td>Companies should have a social purpose</td>
<td>31%</td>
<td>42%</td>
<td>22%</td>
<td>4%</td>
</tr>
<tr>
<td>Companies should be doing more to promote gender/racial diversity in the workplace</td>
<td>28%</td>
<td>43%</td>
<td>24%</td>
<td>6%</td>
</tr>
<tr>
<td>Share ownership of public companies is becoming too concentrated among the largest asset managers</td>
<td>19%</td>
<td>39%</td>
<td>30%</td>
<td>12%</td>
</tr>
<tr>
<td>Companies should prioritize a broader group of stakeholders in making company decisions (rather than just shareholders)</td>
<td>7%</td>
<td>45%</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Regulators are sufficiently focused on main street investors</td>
<td>6%</td>
<td>41%</td>
<td>41%</td>
<td>13%</td>
</tr>
<tr>
<td>The regulatory environment is effectively promoting capital formation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: 704-711

30. Which of the following do you believe can be positively impacted by good corporate governance? (select all that apply)

- The company’s image: 88%
- The company’s ability to attract/retain talent: 84%
- The ease of recruiting new directors: 81%
- The company’s stock price: 79%
- How much your CEO is paid: 60%

Base: 712
**Demographics**

You are:

- Male: 21%
- Female: 79%


Your age is:

- 40 and younger: 7%
- 41-50: 11%
- 51-60: 31%
- 61-65: 26%
- 66-70: 19%
- 76 or older: 16%


We understand that you might serve on multiple company boards. What are the annual revenues of the largest company on whose board you serve?

- Less than $500 million: 40%
- $500 million to $1 billion: 18%
- $1 billion to $5 billion: 9%
- $5 billion to $10 billion: 17%
- More than $10 billion: 15%


Which of the following describes your board leadership structure?

- Non-executive independent chair: 50%
- CEO chair with lead independent director: 31%
- CEO chair: 7%
- Other: 11%


Which of the following best describes that company’s industry? (select only one)

- Banking and capital markets: 10%
- Consumer products: 8%
- Energy (oil and gas): 5%
- Energy (power and utilities): 7%
- Industrial products: 17%
- Insurance: 6%
- Real estate: 6%
- Technology: 10%
- Other: 9%

Note: Asset and wealth management, business and professional services, health services, media/entertainment/telecommunications, pharma and life sciences and retail each comprised less than 5%.


How long have you served on this board?

- Less than one year: 9%
- 1-2 years: 26%
- 3-5 years: 25%
- 6-10 years: 16%
- More than 10 years: 5%


How many public company boards do you currently serve on?

- One: 12%
- Two: 36%
- Three: 26%
- Four: 12%
- More than four: 30%


**About the survey**

PwC’s Annual Corporate Directors Survey has gauged the views of public company directors from across the United States on a variety of corporate governance matters for more than a decade. In 2019, 734 directors participated in our survey. The respondents represent a cross-section of companies from over a dozen industries, 73% of which have annual revenues of more than $1 billion. Seventy-nine percent (79%) of the respondents were men and 21% were women. Board tenure varied, but 61% of respondents have served on their board for more than five years.
How PwC can help

To have a deeper discussion about how this topic might impact your business, please contact your engagement partner, or a member of PwC's Governance Insights Center.

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