Turning crisis into opportunity

PwC’s 2020 Annual Corporate Directors Survey
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2020 has presented unprecedented challenges for companies. While the year generally started like any other, by the end of the first quarter, the COVID-19 pandemic created an unprecedented global health emergency. Business was upturned across the globe, unemployment shot through the roof, US GDP took the greatest fall on record, and many workforces shifted to an entirely remote setting, all while communities confronted untold sickness and fatalities. America also saw a new level of social unrest, as protests for racial justice swept the nation. Against all of this, a presidential election looms.

With everyday life upended, boardrooms changed drastically. Gone were the site visits, strategy retreats, and board dinners. Gone was the boardroom itself. But the work didn’t slow, and most directors reported devoting significantly more time to their duties.

In many ways, directors believe that boards and companies have met the early challenge, even during the crisis. Boards show increased awareness and increased focus on areas that institutional shareholders have emphasized in recent years, like environmental, social, and governance (ESG) issues and shareholder engagement. They have made changes to deal with problems in company culture, and they are thinking more broadly about issues like company strategy and executive compensation. In many ways, they are responding to the current climate and to shareholder concerns.

But in other ways, boards continue to be plagued by seemingly intractable problems. Directors continue to report dissatisfaction with the performance of some of their peers. Board refreshment still lags as leadership frequently avoids both the tough conversations with directors who should be replaced and the hard work of long-term board succession planning. Boardroom discussions suffer as directors, keen to maintain a collegial atmosphere, avoid sharing dissenting views. And even while making some improvements in boardroom diversity, directors aren’t always convinced of the importance of that diversity.

Boards face all of these challenges against the backdrop of a global crisis. But while the challenges are significant, this moment of crisis also creates opportunities. Forward-thinking boards find ways to inspire positive change. With strong leadership, boards may be able to leverage the crisis into changes in board composition, revamped board practices, re-envisioned diversity and inclusion efforts, and re-focused board priorities.
On shaky ground—overseeing crisis from the boardroom

While the world faces a global public health crisis and its economic fallout, only 37% of directors say their board fully understands the company’s crisis management plan. With no end to the crisis in sight, boards do not have a moment to lose when it comes to crisis planning and management—including learning from any missteps the company has already made.

Boards make progress on ESG—but there’s still work to be done

Compared to 2019, directors are much more likely to say that issues like climate change should be taken into account when developing company strategy. But only about half of directors say their board fully understands ESG issues impacting the company. And even fewer think those issues actually have a financial impact on the company.

Supporting diversity—in theory

84% of directors agree that companies should be doing more to promote gender and racial diversity in the workplace. But while incentive plans can be an effective way to encourage action, only 39% of directors support including diversity and inclusion goals in company pay plans.

But only about half of directors say their board fully understands ESG issues impacting the company. And even fewer think those issues actually have a financial impact on the company.

Next please! Directors want to see turnover, but boards aren’t planning for it

49% of directors say that at least one fellow board member should be replaced. But when it comes to succession planning and looking ahead, many directors are in the dark. Only 49% say a board succession plan is shared with the full board. 10% say their board doesn’t have a succession plan at all.

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And while national conversations about racial justice heat up, board efforts on racial and ethnic diversity continue to lag. Only 34% of directors believe it is very important to have racial diversity on their board.
Risk and strategy

Director blind spots pre-crisis

Although the COVID-19 pandemic took most of the world by surprise, signals of a potential economic downturn had been emerging for months. Yet many directors say their boards had not taken steps to prepare for a downturn in the 12 months before the recession began.

More than a quarter of directors (28%) said their companies had not taken any steps at all to address a downturn. Fewer than half of directors (47%) say their boards had reduced capital expenditures. Forty-four percent (44%) had explored a sale or divestiture, but only one-third (33%) had reduced share buybacks, which would increase cash reserves or liquidity. In the year prior to the recession, only 14% had reduced the share dividends that investors had come to expect.

While many companies were caught off guard by the downturn, boards can take this moment to address central issues of strategy and capital allocation. Half of directors (50%) report that since the COVID-19 pandemic, their companies have reorganized debt structures and/or made changes to their capital allocation. Few say they have increased their M&A activity, as many companies find ways to shore up capital for now. But finding the right uses for that capital as time goes on will rely on boards’ ability to take a long-term view on the future of the company.

Caught unprepared for the economic downturn

Directors saying their companies had taken or discussed the following actions to prepare for an economic downturn:

- **47%** Reduction in capital investments
- **44%** Business unit sale or divestiture
- **33%** Reduction in share buybacks
- **30%** Relocation of operations

Q21: Which of the following has your board discussed or put into place in the past 12 months to address an economic downturn? Base: 564-604
Falling short on crisis management

The COVID-19 pandemic showed all companies how quickly a crisis can grow, and how easily the unprepared can fall. While the scope of the pandemic caught most of the world by surprise, companies need to be prepared to face unexpected circumstances, and having a response plan in place is key.

Surprisingly, only 37% of directors say that their board has a strong understanding of the company’s crisis management plan. But despite not fully understanding the plan, and despite the clear missteps many companies made, most directors gave management high marks for their performance during the crisis. Ninety-nine percent (99%) of directors said companies did a good or excellent job of dealing with interruptions in internal operations due to COVID-19. Ninety-six percent (96%) said the same for management teams dealing with supply chain interruptions—even though consumers are likely to have a different take.

Even if these companies navigated the first part of the COVID-19 challenge successfully, it doesn’t necessarily follow that they will have success with the next crisis. A crisis plan will grow stale unless it is revisited after the event and revised in light of what worked and what didn’t. As part of that process, boards can push their management teams to find opportunities within the crisis. Those that are able to do so will come out on top.

PwC perspective

In crisis preparedness, don’t overlook the value of looking back

Any company can be hit with a crisis at any time, from a cyber breach, to a safety issue, to an environmental disaster. But rarely are so many companies confronted with a crisis at once. 2020’s COVID-19 pandemic and its associated impacts gave almost every company a taste of crisis management. And while that crisis and its economic impact is certainly not over, companies can benefit now from launching a comprehensive crisis review.

While most directors were pleased with their management team’s response, there were clearly winners and losers in the early part of the crisis. Boards can leverage their companies’ experiences so far in 2020 to spur a complete evaluation of what worked, what didn’t, and what needs to improve in the future. Through that evaluation and revision exercise, directors may also benefit from a deeper understanding of the what’s and why’s of the crisis plan. They will also be more prepared for the next chapter.

For more on crisis management, read Being prepared for the next crisis: The board’s role.
COVID-19 resources for the board

The COVID-19 pandemic and its fallout are testing companies like never before. Most directors say executives have done a great job of navigating the challenges thrown at them in the early days of the crisis. They praise their own boards as well, reporting high levels of director engagement and a strong ability to challenge management.

Directors show confidence today, but of course not all companies managed 2020’s challenges well. Some companies faltered, or even failed. For those that made it through, the crisis is far from over, and key challenges remain ahead. While confidence can be a good thing, overconfidence can lead to complacency. By remaining focused and building on their early successes, boards can help their companies succeed—no matter how the pandemic unfolds.

As the pandemic and its economic impact continues to develop, PwC’s COVID-19 board resources website will continue to offer timely resources and perspectives to help boards guide their companies through each stage. In addition, our Emerge Stronger video series offers practical advice to take lessons learned from the pandemic, and turn them into valuable insights for use in your board oversight role.

Despite what investors and consumers may think, directors give management teams straight A’s on COVID-19 response

Directors are logging on—and remaining plugged in

Directors giving positive ratings for:

- Level of director engagement: 93%
- Ability to challenge/question management: 88%

Q30. How would you rate management’s handling of internal operations in response to the COVID-19 pandemic in the following areas? Response: Good or excellent
Base: 252-260

Q33. How would you rate your virtual board/committee meetings in the following areas? Response: Good or excellent
Base: 260
Environmental, social, and governance issues

Directors start to come around on ESG

Institutional shareholders have continued to emphasize to their portfolio companies the importance of creating long-term, sustainable business models. As part of this, they have pushed companies to offer more disclosure of ESG metrics. And while the COVID-19 pandemic has shifted the economic focus in many ways, institutional shareholders remain committed (and may be even more committed) to the importance of managing ESG risks and opportunities in their portfolio companies.¹

Although shareholders emphasize that ESG risks will impact the bottom line, directors are not convinced that they’re connected to the company’s bottom line. Only 38% of directors say ESG issues have a financial impact on the company’s performance—down from 49% in 2019.

In other ways, directors’ practices and views are changing. In 2020, just under half of directors (45%) say that ESG issues are regularly a part of the board’s agenda, up from just 34% in 2019. Directors are also much more likely to say that disclosing a company’s efforts on ESG-related issues should be a priority for management.

ESG gains in the boardroom

![chart showing an increase from 34% to 45% in the percentage of directors saying ESG issues are regularly a part of the board’s agenda, from 2019 to 2020.]

![chart showing an increase from 30% to 41% in the percentage of directors saying disclosing a company’s efforts on ESG-related issues should be a priority for management, from 2019 to 2020.]

ESG issues are linked with company strategy

60% of female directors vs. 46% of male directors are more likely to see the link between ESG and strategy.

¹. For example, see a discussion of BlackRock’s 2020 Investment Stewardship Report available here.
That figure is up 11 points, from 30% to 41%. Directors are also giving greater weight to ESG expertise in the boardroom. The percentage of directors saying that environmental/sustainability expertise is important went up nine points, to 60%.

As companies are facing financial pressures from many sides during the continuing pandemic and economic recession, those that have taken a broader view of their long-term strategy, including responding to ESG issues, may be in a better position to confront these challenges. For companies that have traditionally focused on the narrow question of financial performance quarter to quarter, 2020 may offer the inflection point to consider the broader, long-term context.

PwC perspective

Taking on ESG oversight

For companies, ESG is about risk, and it’s about opportunity. It’s about the ways in which value could be destroyed or created. Boards play a critical role in ESG oversight. Those that are successful in that task focus on:

- **Linking purpose and strategy.** From the board’s unique vantage point, determine whether the company has appropriately articulated and defined its purpose, and whether that purpose is linked to and reflected in its strategy. Ensure that it is comprehensive and considers the right stakeholders.

- **Requiring reliable ESG information.** Companies can choose from a variety of disclosure regimes for their ESG information, and using the right metrics is key. Affirm that the information prepared by the company is consistent and reliable.

- **Crafting the right disclosure.** With purpose and strategy linked, and the right information available, the company can determine its key messaging. For the board, ensure that this messaging translates to the company’s disclosures. Ensure checks are in place on what information is disclosed, where it is disclosed, how it is reviewed, and whether it fully reflects the company’s purpose and strategy.

- **Allocating oversight.** Overseeing how the ESG strategy aligns with the company’s business strategy is a job for the full board. But each committee also has ownership over some element of ESG issues, and coordination and communication are key.

For more on understanding and overseeing ESG risks and opportunities, visit the ESG page on our website.
Thinking more broadly about strategy formation

Directors say ESG issues are playing a larger role in their board discussions. They also increasingly think these issues should play a role in determining company strategy.

Issues of human rights, climate change, and income inequality are playing a bigger role in strategy. The percentage of directors saying that the company should take climate change into account when developing its strategy jumped 13 points in just one year (67%, up from 54%). The percentage of directors saying the same about immigration, human rights, and income inequality also increased since 2019.

But while more directors say these topics should have a role, the current economic downcycle may put boards to the test. While making it through the immediate crisis must be the first priority, boards can also take this opportunity to shift the conversation to broader, long-term concerns. Many companies will emerge from the crisis looking different. Now may be the time to work out how to incorporate issues like climate change and income inequality into their companies’ strategic goals—particularly as these topics remain top of mind for investors focused on the long-term viability of their portfolio companies.

Broadening the scope of strategy discussions

A rising percentage of directors think social issues should play a role in forming company strategy

Male directors less likely to see a connection between certain ESG issues and strategy

Climate change should be taken into account when forming strategy

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Q18. To what extent do you think your company should take the following issues into account when developing company strategy? Response: Very much and somewhat

Base: 663-667


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Board diversity

Gender diversity ticks up, but male directors remain unconvinced

The representation of female directors on boards has increased steadily over the years, from 16% of S&P 500 board seats in 2009 to 26% in 2019. While this shift reflects consistent pressure from institutional shareholders for boards to diversify, as well as measures like state legislation that requires public company boards to have female directors, the percentage of female directors is still only about half of their representation in the US population.

Directors, for their part, agree that diversity on boards has benefits. Ninety-four percent (94%) say that it brings unique perspectives to the room. More than four out of five directors agree that it improves relationships with investors (85%) and that it enhances board performance (83%). Seventy-two percent (72%) also agree that board diversity enhances company performance.

So if directors agree on the benefits, why aren’t boards diversifying more quickly? Female directors often point to leadership. They are more than twice as likely as male directors to say that board leadership is not invested in diversity (44% versus 20%). And female directors are more than three times as likely to say that boards are not diversifying because the CEO is not committed to the issue (32% versus 9%).

As boards confront questions about the very survival of a company during a public health and economic crisis, they may risk losing focus on critical board composition and diversity issues. But inflection points such as these can also provide the opportunity for leadership to take a bold step and invest in real change on the board.

Female directors point to leadership in boards’ failure to diversify

| Board leadership is not invested in board diversity | 44% female vs. 20% male |
| CEO is not invested in board diversity | 32% female vs. 9% male |

Q7. In your opinion, what has impeded efforts to increase board diversity in general (i.e., why haven’t boards become diverse more quickly)? (Select all that apply)

Base: 668

3. See the US Census Bureau’s website here.
PwC perspective

**Boards and racial diversity**

During the spring of 2020, the country faced a reckoning on racial justice different from any it had seen before. Polls suggest that 15 to 26 million people participated in Black Lives Matter protests in the weeks following George Floyd’s death, making it perhaps the largest movement in US history. Corporations got involved too—making statements, changing policies, and renewing commitments to diversity. But what is the role of the board?

Generally, directors say they support corporate racial diversity. More than four out of five (84%) directors think that companies should be doing more to promote diversity in the workplace. Yet when it comes to actually tying executive pay to these actions, it’s a different story. Just 39% of directors think diversity and inclusion goals should be included in executive compensation plans.

What’s more, while most directors support doing more on gender and racial diversity at their companies in general, there is less support for change at the board level—especially when it comes to racial diversity. While less than half of directors (47%) say gender diversity is very important on their boards, only 34% say the same about racial diversity.

Stakeholders are demanding that corporate leaders in the US be part of the solution and take action to help dismantle racism and injustice. This can, and should, start with the boardroom. Boards can:

- Require standardized reporting on diversity and inclusion efforts. This can reveal trends at the company and help the board hold management to account.
- Ensure the company has created a strategic inclusion and diversity plan—and has shared that plan with the board of directors.
- Tie diversity and inclusion targets to executive pay.
- Take a look at the boardroom itself and whether it truly has a diverse set of voices.

Read [Four Ways Boards Can Lead on Racial Diversity](#) for more about boards’ role in this issue.

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**How committed are directors to corporate diversity?**

- **84%** of directors think companies should do more to promote diversity in the workplace.
- But only **39%** support linking executive compensation with diversity goals.

Q27. To what extent do you agree with the following? Response: Very much and somewhat; Q24. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)

Base: 657, 661

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A move away from subject matter expertise

As shareholders push for more board diversity, they have also encouraged boards to think more broadly about how to create diversity of thought. As part of this, boards have been adding more female directors, and directors who bring racial diversity to the board. But they are also demonstrating a move away from the idea that they need certain subject matter experts.

Compared to responses five years ago, directors are much less likely to say that a variety of areas of expertise are “very important” to the board. They still highly value financial, operational, and risk management expertise. But, for example, the percentage of directors saying industry expertise is very important dropped by 27 points. International expertise and marketing expertise dropped by 23 and 18 points, respectively.

These drops may relate to the blurring of lines between industries, and the sense that most directors have broad experience. In addition, as boards focus more on diversity and the value of having the right mix of voices, people, and opinions, particular types expertise may be less important.

Fewer directors see value in specific areas of expertise

![Graph showing changes in importance of various areas of expertise between 2015 and 2020.](chart)

Q1: How would you describe the importance of the following skills, competencies, or attributes on your board? Response: Very important
Board refreshment

Directors want refreshment, but boards fail to plan for the next chapter

Boards are making strides in many areas, yet their own composition remains one of the toughest challenges for boards to confront. For the second year in a row, about half (49%) of directors say that at least one fellow director on their board should be replaced. Twenty-one percent (21%) say that two or more directors should go. These numbers remain high, despite intense shareholder focus on board refreshment.

What stands in the way of board refreshment? Many directors point to board leadership’s unwillingness to have difficult conversations with underperforming directors (20%) or to an ineffective assessment process (19%).

It’s also clear that director succession planning is not a priority for boards. Ten percent of directors say their board doesn’t have a succession plan at all, and 33% say it is ad hoc. For boards that do have a plan in place, less than half (49%) of directors actually share that plan with the entire board. So for many directors, they simply have no idea what the next chapter of the board will look like—and no input into those decisions.

Making real change in this area requires work from board leadership. It requires clear succession planning and open discussions with the entire board about what is to come. It also requires leadership to have hard conversations with respected peers. But 2020 may pose a unique opportunity for board leadership to push for change. For some, the early days of the crisis may have even highlighted shortcomings on the board. For example, boards with directors who are in sitting executive roles, or who serve on multiple boards, benefited from those broader insights.

Directors want change, but boards are not looking ahead

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<td>10% say they don’t have a plan at all</td>
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Q3. In your opinion, how many directors on your board should be replaced? (select one) Q10. Which of the following is true with regard to your board’s succession planning? (select all that apply) Base: 686, 678

Boards sidestep the tough conversations

Once, performance assessments may have been seen as check-the-box exercises. Today, most boards take them seriously, and they take action as a result. In 2014, 50% of directors said their board made changes as a result of their assessment process. In 2020, that figure is 72%.

In response to their last performance assessment, 40% of directors say their boards or committees added additional expertise—an increase from 29% saying the same in 2014. Boards also commonly react to assessments by changing the composition of their committees (32%, up from 20% in 2014).

But boards aren’t seeing similar improvements when it comes to taking the toughest steps. The percentage of directors saying their boards chose not to renominate a director changed little since 2014 (12%, up from 9%). And only 14% say their board provided counsel to a director, down slightly from 16%. In fact, the area where directors give board leadership the lowest marks is in dealing with underperforming directors, with one in four (25%) saying leadership is not very or not at all effective in that area.

Taking assessments seriously means changes—but not in all areas

Q9. 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)

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<th>of directors</th>
<th>Some of the actions boards are taking:</th>
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<tr>
<td>72%</td>
<td>Adding expertise: 40%</td>
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<td></td>
<td>Changing committees: 32%</td>
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<td>Providing counsel to a director: 14%</td>
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<td>Not renominating a director: 12%</td>
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Q9. 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)

Base: 677

PwC perspective

Drive change in the boardroom by having the hard conversations

Like every other workplace, the boardroom looks different in 2020. The shift to virtual interactions may make conversations about the most difficult topics—like board refreshment—even more challenging.

But as boards face the unique challenges of 2020, it is more important than ever that board leadership addresses the issue of board refreshment. For boards that are not yet conducting individual performance assessments of each director, now is the time to institute the practice. And for board leadership who may have been avoiding the difficult conversations, now is the time to face that challenge. During this crisis, it is even more critical that boards be able to identify the directors who are not adding value. And board leadership must be willing to ask those directors to either change their behavior or make room for directors who will bring more to the table.
Board practices

Holding their tongues when they disagree

Board oversight means asking the tough questions, demanding answers, and arriving at sometimes uncomfortable conclusions. To do that, the boardroom requires honesty and frank discussions.

Yet directors privately confess that they hold back dissenting views. More than one-third of directors (36%) say that it is hard to voice a dissenting opinion in their boardroom.

For many directors, the problem traces back to the fear that dissenting opinions will damage collegiality in the boardroom. Fifty-two percent (52%) of directors say that the desire to maintain a collegial atmosphere contributes to muffled dissent. Thirty-two percent (32%) say it stems from dominant personalities in the boardroom.

As the COVID-19 pandemic and accompanying economic crisis exposes weaknesses in companies and entire industries, boards’ leadership is more critical than ever. The disruption in business as usual creates an opportunity for board leaders to shift the status quo. With everything else changing, board leaders can use the moment to encourage a new level of openness and honesty in their discussions.

PwC perspective

Overcoming the hidden dynamics holding boards back

Board members are highly educated, accomplished, successful individuals. Yet every director has witnessed derailed discussions, dismissed opinions, directors who dominate, and those who seem to be biting their tongue. Many of these problems can be traced to four common biases we see in boardrooms.

• **Authority bias:** Overvaluing the opinion of one director with a particular set of skills or experience, or a director in a leadership role.

• **Groupthink:** Being overly concerned with coming to a consensus.

• **Status quo bias:** A reluctance to change the way things are.

• **Confirmation bias:** The tendency to overvalue evidence that confirms one’s view, while undervaluing evidence that disproves it.

For much more about boardroom biases and tools to improve boardroom culture, look for our forthcoming paper *Effective board culture: The hidden dynamics that hold boards back—and how to overcome them.*

Older and younger directors disagree about what stifles dissent

<table>
<thead>
<tr>
<th></th>
<th>60 and younger</th>
<th>71 and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant personalities in the boardroom</td>
<td>41% vs. 22%</td>
<td></td>
</tr>
<tr>
<td>Lack of director expertise</td>
<td>26% vs. 40%</td>
<td></td>
</tr>
</tbody>
</table>
Shareholder engagement continues to bring benefits

Investors have increased their focus on shareholder engagement in recent years. Large institutional shareholders, in particular, have made it a priority by beefing up their stewardship teams and increasing the number of engagements they conduct every year.

At the same time, director involvement in shareholder engagement continues to grow. In 2020, 58% of directors say a member of their board (other than the CEO) is involved in these discussions, up from just 42% in 2017.

As the practice continues to grow, directors see the effect. Eighty-seven percent (87%) think the engagement has a positive impact on proxy voting, up from 59% in 2016. More than three-quarters (76%) also see a positive impact on investing decisions, up from just 63% four years ago.

Companies that took shareholder engagement seriously over the past several years may be seeing those dividends now. By building shareholder relationships with their most important investors during the “calm times,” companies may find that having that existing connection is more important than ever as they are put to the test in 2020. Shareholders will likely be pushing companies to address topics like strategy adjustments, changes in capital allocation, and executive compensation design before the 2021 proxy season.

Seeing the positive impact of shareholder engagement

58% of directors say their boards are involved in shareholder engagement

87% see a positive impact on proxy voting

76% see a positive impact on investment decisions

Q15a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?; Q15b. To what extent do you agree with the following regarding your board’s direct engagement with investors? Response: Very much and somewhat

Base: 676; 380-389

Corporate reputation and personal reputation merge

For directors, board service can go well beyond just fulfilling a professional duty. Many feel a strong connection to the company, associating their personal brand with that of the company. They see the company’s governance decisions and major events as a reflection of themselves.

A majority of directors say that issues like disclosing a material weakness (76%) or going through a recent reputational crisis (72%) reflect negatively on the board members themselves. These are issues that perhaps the board may feel some responsibility for preventing. A majority of directors also feel that having a dual-class share structure or experiencing a recent cyber breach (both 66%) reflect negatively.

With directors associating their own reputation with that of the company they serve, it’s clear that the connection is strong. They may have more at stake in their role than many investors give them credit for.

Directors take corporate governance issues to heart

Directors responding that the issue reflects negatively on the board of directors:

- **76%** Material weakness disclosures
- **72%** Recent reputational crisis
- **66%** Dual-class shares
- **66%** Recent cyber breach

Younger directors are more likely to see an impact on their personal brand

Recent reputational crisis impacts directors’ reputation

- **78%** 60 and under vs. **64%** 71 and older

Q14. To what extent do you think the following issues reflect negatively on a company’s board of directors? Response: Very much and somewhat
Base: 649-661

Q12. In your opinion, which of the following contribute to directors’ reluctance to voice dissenting views? (select all that apply) Response: Very much and somewhat
Base: 531
Cultural and talent management

Taking action on company culture

The risks posed by problematic company culture came into the spotlight in recent years. High-profile cheating scandals, corporate misdeeds, and movements like #MeToo forced many companies to re-examine how their own cultures could be contributing to problems.

Over the last several years, many more directors say their boards are taking a variety of actions to address corporate culture. Most commonly, companies have enhanced employee development and training programs. Two-thirds of directors (67%) say their companies have taken this step, up from 60% in 2018. More directors also say their companies are increasing reporting to the board about culture metrics. This could include employee engagement survey results, media coverage, or hotline trends, which can give a data-based view of an inherently ephemeral topic.

More directors also report reviewing or amending their compensation plans. By re-examining how their plans motivate employees, they may uncover some root causes for problematic behaviors and be able to adjust accordingly.

As many companies struggle with the challenges posed by balancing employee and customer safety with business needs, navigating remote work environments and a radically different view of the workplace, the issue of company culture will be even more challenging. In addition to the question of whether the company has the right culture, boards will also be grappling with how to define, build, and sustain a corporate culture at this moment.

Taking steps to address company culture

<table>
<thead>
<tr>
<th>Area</th>
<th>2018</th>
<th>2018</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced employee development/training programs</td>
<td>60%</td>
<td>67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased board-level reporting of culture metrics</td>
<td>29%</td>
<td>38%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reviewed/amended crisis management plan</td>
<td>21%</td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised compensation plans</td>
<td>17%</td>
<td>28%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q17. 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: 675 (2018); 668 (2020)
When it comes to executive pay, how much is too much?

At a time when the US has experienced record-high levels of unemployment and economic uncertainty, directors also see issues with excessive executive pay.

While nearly all directors (95%) at least somewhat agree that incentive pay plans promote shareholder value, 69% also somewhat or very much agree that executive pay exacerbates income inequality.

Directors continue to view proxy advisors and compensation consultants as having too much influence on executive pay, but many put at least some of the blame on the board as well. More than half (60%) at least somewhat agree that compensation committees are too willing to approve overly-generous pay packages or incentives. More than two-thirds of directors (68%) think that executives are overpaid, and 52% think targets are too easy to achieve.

The current climate is forcing boards to take a hard look at executive pay. Plans and targets that were reasonable earlier in the year may not make sense by December. With many companies experiencing uncertainty and volatility, boards may worry about executive retention if appropriate incentives are not in place. At the same time, the optics of these decisions, and of overall pay numbers, are key. Companies and boards will need to focus on transparent disclosure of what steps they have taken, and why, in order to convince shareholders that they’ve made the right decisions during turbulent times.

Directors trace problems with executive pay

<table>
<thead>
<tr>
<th>Problem</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxy advisors have too much influence</td>
<td>87%</td>
</tr>
<tr>
<td>Compensation consultants have too much influence</td>
<td>78%</td>
</tr>
<tr>
<td>Executive pay exacerbates income inequality</td>
<td>69%</td>
</tr>
<tr>
<td>Executives are overpaid</td>
<td>68%</td>
</tr>
</tbody>
</table>

Q23: To what extent do you agree with the following regarding executive pay in the US? Response: Very much and somewhat
Base: 654-659
Taking a broader view of incentive pay—in some areas

As the idea of corporate purpose has pushed companies to think beyond just the bottom line, directors are also rethinking how to measure performance.

While most directors do not support having diversity and inclusion goals as part of executive compensation plans (see page 12), they do support a variety of other non-financial goals. More than half of directors think customer satisfaction (72%), safety (58%), quality (54%), and employee engagement (54%) should be a part of the calculation.

During tough times, compensation committees still need to keep their executives incentivized. With the business climate changing so rapidly in 2020, boards have the opportunity now to reconsider the future of the company and to create the right incentives to encourage management to get there.

**Directors think beyond financial metrics**

Percentage of directors who think incentive compensation should be linked to:

- **Customer satisfaction**: 72%
- **Safety**: 58%
- **Quality**: 54%
- **Employee engagement**: 54%

**Female directors are more likely to support many non-financial performance metrics**

- **Employee attrition**: 59% female vs. 52% male
- **Diversity/inclusion metrics**: 58% female vs. 32% male
- **Environmental goals**: 41% female vs. 31% male

**Q24. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)**

Base: 661
Gender in the boardroom:
7 areas where male and female directors differ

With a continuing push toward greater diversity on boards, shareholders and others emphasize the need for diversity of thought in the boardroom. The idea is that diverse voices will improve the discussion and make boards better-equipped to handle what is to come.

The findings of our Annual Corporate Directors Survey show that directors of different genders do, in fact, have very different views on a variety of issues. Read on to explore the differences in how female and male directors view issues ranging from ESG to board practices and beyond.

1. Should ESG be connected to strategy?

Female directors are more likely to see room in strategy discussions for social and environmental issues. By large margins, they are more likely to say that issues relating to the environment, social injustice, and human rights concerns, should have an impact on company strategy.

Female directors are more likely to agree that company strategy should incorporate:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>79%</td>
<td>62%</td>
</tr>
<tr>
<td>Human rights</td>
<td>79%</td>
<td>64%</td>
</tr>
<tr>
<td>Resource scarcity</td>
<td>78%</td>
<td>65%</td>
</tr>
<tr>
<td>Social movements</td>
<td></td>
<td>69%</td>
</tr>
</tbody>
</table>

Q18. To what extent do you think your company should take the following issues into account when developing company strategy?
Response: Very much and somewhat
Base: 633-637
2. What’s the role of ESG in the boardroom?

Female directors may be playing a role in elevating ESG issues in the boardroom. They are more likely to say that their board has taken a number of steps in this area, including making ESG issues a part of enterprise risk management (ERM) discussions, and linking those issues to company strategy.

Female directors are more likely to say that ESG issues are:

- A part of the board’s ERM discussions: 63% female, 53% male
- Linked to company strategy: 60% female, 46% male
- Regularly part of the board’s agenda: 52% female, 43% male

Q20. Which of the following statements do you agree with about ESG (environmental/social/governance) issues? (select all that apply)
Base: 599

3. What’s the value of board diversity?

On the topic of what diversity brings to boards, male and female directors have a very different view. Female directors are much more likely to strongly agree that diversity brings certain benefits to boards, including enhancing the board’s and the company’s performance. What’s more, as boards have become more diverse, male directors have not become more convinced about the benefits of diversity. In fact, their belief in those benefits has waned.

Female directors are more likely to strongly agree with the following about board diversity:

- Enhances board performance:
  - 2020: 34% female, 80% male
  - 2018: 40% female, 73% male

- Enhances company performance:
  - 2020: 15% female, 53% male
  - 2018: 20% female, 53% male

Q6. To what extent do you agree with the following statements about board diversity? Response: Strongly agree
Base: 634-635 (2020); 674 (2018)
Source: PwC, 2020 Annual Corporate Directors Survey; September 2020; PwC, 2018 Annual Corporate Directors Survey; October 2018.
4. What’s getting in the way of board diversity?

When asked why boards haven’t been able to add diversity more quickly, male directors are much more likely to point to outside factors. Almost half say that qualified candidates are not available, and more than a third say that change on the board simply isn’t needed. Female directors, on the other hand, are more likely to point to factors on the board, such as lack of turnover or lack of leadership in the area.

Female and male directors disagree about what inhibits board diversity

<table>
<thead>
<tr>
<th>Factor</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-serving directors’ reluctance to retire</td>
<td>36%</td>
<td>57%</td>
</tr>
<tr>
<td>Board leadership not invested in board diversity</td>
<td>20%</td>
<td>44%</td>
</tr>
<tr>
<td>Change on the board is not needed</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Lack of qualified candidates</td>
<td>25%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Q7. In your opinion, what has impeded efforts to increase board diversity in general (i.e., why haven’t boards become diverse more quickly)? (select all that apply)
Base: 623

5. What’s most important when it comes to board composition?

Female directors are much more likely to say that diversity is important on their board. This is true for gender diversity as well as racial/ethnic and age diversity. They are also more likely to value other types of expertise. So when it comes to board composition, female directors may be a driving force for diversity of skills and backgrounds.

Female directors are more likely to think the following are “very important”

<table>
<thead>
<tr>
<th>Skill/Competency</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender diversity</td>
<td>41%</td>
<td>66%</td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>30%</td>
<td>46%</td>
</tr>
<tr>
<td>Age diversity</td>
<td>18%</td>
<td>30%</td>
</tr>
<tr>
<td>Operational expertise</td>
<td>18%</td>
<td>62%</td>
</tr>
<tr>
<td>Risk management expertise</td>
<td>46%</td>
<td>61%</td>
</tr>
<tr>
<td>Industry expertise</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Q1. How would you describe the importance of the following skills, competencies or attributes on your board? Response: Very important
Base: 633-637
6. What stifles board dissent?

More than one-third of all directors agree that it is difficult to voice a dissenting opinion on one or more topics in the boardroom. But female and male directors have different opinions about why that is. Female directors are more likely to trace it back to specific directors—certain dominant personalities or influential directors stifling the discussion. Male directors, on the other hand, think directors don’t weigh in because they don’t have expertise in the subject matter, or because they want to maintain a collegial atmosphere.

**Male and female directors identify different factors muting dissent**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire to maintain a collegial atmosphere</td>
<td>47%</td>
<td>55%</td>
</tr>
<tr>
<td>Dominant personalities in the boardroom</td>
<td>43%</td>
<td>27%</td>
</tr>
<tr>
<td>Influential long-term directors</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Lack of expertise/knowledge in the subject matter</td>
<td>31%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Q12. In your opinion, which of the following contribute to directors’ reluctance to voice dissenting views? (select all that apply)
Base: 505

7. How does the company’s reputation reflect on the board?

Female directors are more likely to say that certain actions at the company reflect negatively on the board of directors. Male directors are less likely to draw this connection in a number of areas, but most clearly when it comes to recent reputational crises, such as a product recall or #MeToo scandal.

**Female directors are more likely to think the following have a negative effect on the board’s reputation**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material weakness disclosure</td>
<td>74%</td>
<td>82%</td>
</tr>
<tr>
<td>Recent reputational crisis</td>
<td>69%</td>
<td>81%</td>
</tr>
<tr>
<td>Recent cyber breach</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Company operates in socially controversial industry</td>
<td>66%</td>
<td>53%</td>
</tr>
<tr>
<td>Recent hedge fund activism</td>
<td>45%</td>
<td></td>
</tr>
</tbody>
</table>

Q14. To what extent do you think the following issues reflect negatively on a company’s board of directors? Response: Very much and somewhat
Base: 619-628
Appendix: Complete survey findings

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

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/Expertise</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>52%</td>
<td>44%</td>
<td>3%</td>
</tr>
<tr>
<td>Operational expertise</td>
<td>50%</td>
<td>37%</td>
<td>9%</td>
</tr>
<tr>
<td>Risk management expertise</td>
<td>47%</td>
<td>37%</td>
<td>9%</td>
</tr>
<tr>
<td>Gender diversity</td>
<td>43%</td>
<td>37%</td>
<td>9%</td>
</tr>
<tr>
<td>Industry expertise</td>
<td>34%</td>
<td>44%</td>
<td>20%</td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>23%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>IT/digital expertise</td>
<td>22%</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Cyber risk expertise</td>
<td>21%</td>
<td>46%</td>
<td>28%</td>
</tr>
<tr>
<td>Age diversity</td>
<td>18%</td>
<td>42%</td>
<td>29%</td>
</tr>
<tr>
<td>International expertise</td>
<td>15%</td>
<td>51%</td>
<td>20%</td>
</tr>
<tr>
<td>Marketing expertise</td>
<td>14%</td>
<td>60%</td>
<td>24%</td>
</tr>
<tr>
<td>Human resources expertise</td>
<td>10%</td>
<td>50%</td>
<td>26%</td>
</tr>
<tr>
<td>Environmental/sustainability expertise</td>
<td>8%</td>
<td>50%</td>
<td>42%</td>
</tr>
</tbody>
</table>

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

- Reluctant to challenge management: 18%
- Advanced age has led to diminished performance: 12%
- Serves on too many boards: 6%

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

- Zero: 51%
- One: 28%
- Two: 16%
- More than two: 5%

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: 20%
- Ineffective process for director assessment: 19%
- Lack of mandatory retirement age, or retirement age set too high: 16%
- Collegiality/personal friendships between board members: 16%
- Lack of qualified director candidates or inability to find skills needed: 15%
- None of the above apply: 50%
5. If your board is considering increasing its diversity, why? (select all that apply)

- Desire for more diversity of thought in the boardroom: 51%
- Desire to be in line with best practices: 42%
- To better reflect customer/client base: 25%
- To align with proxy advisors’ recommendations/policies: 17%
- To appease investors: 14%
- To comply with current or expected legal requirements: 11%
- Desire to be politically correct: 10%
- N/A—we are not considering increasing our diversity: 24%

Base: 683

6. To what extent do you agree with the following statements about board diversity?

- Brings unique perspectives to the boardroom: Somewhat agree (61%) vs. Somewhat disagree (33%)
- Enhances board performance: Strongly agree (46%) vs. Strongly disagree (5%)
- Improves relationships with investors: Strongly agree (29%) vs. Strongly disagree (14%)
- Improves company performance: Strongly agree (25%) vs. Strongly disagree (4%)
- Improves strategy/risk oversight: Strongly agree (25%) vs. Strongly disagree (5%)
- Board diversity efforts are driven by political correctness: Strongly agree (33%) vs. Strongly disagree (5%)
- Shareholders are too preoccupied with board diversity: Strongly agree (38%) vs. Strongly disagree (5%)
- Results in boards nominating additional unneeded candidates: Strongly agree (29%) vs. Strongly disagree (5%)
- Results in boards nominating unqualified candidates: Strongly agree (27%) vs. Strongly disagree (5%)

Base: 674-684

7. In your opinion, what has impeded efforts to increase board board diversity in general (i.e., why haven’t boards become diverse more quickly)? (select all that apply)

- Lack of qualified candidates: 41%
- Long-serving directors’ reluctance to retire: 33%
- Change on the board is not needed: 26%
- Board leadership not invested in board diversity: 14%
- CEO not invested in board diversity: 11%
- Fears that it will negatively impact board effectiveness: 10%

Base: 668

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

- Board policies of always interviewing a diverse slate of candidates (e.g., the “Rooney Rule”): Very much (52%) vs. Not at all (5%)
- Search firm policy of always offering diverse slates of candidates: Somewhat (50%) vs. Not at all (7%)
- Institutional investor engagement with companies lacking board diversity: Somewhat (39%) vs. Not at all (12%)
- Boards will naturally become more diverse over time: Somewhat (39%) vs. Not at all (22%)
- Institutional investor policy of voting against directors at companies lacking board diversity: Somewhat (31%) vs. Not at all (20%)
- Proxy advisor policies of negative voting recommendations for boards lacking diversity: Somewhat (32%) vs. Not at all (27%)
- Laws mandating board diversity (e.g., California law requiring a certain number of female directors on boards): Somewhat (32%) vs. Not at all (24%)

Base: 678-683
Board practices

9. 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: 40%
- Change composition of board committees: 32%
- Diversify the board: 21%
- Provide disclosure about the board’s assessment process in the proxy statement: 17%
- Use an outside consultant to assess performance: 15%
- Provide counsel to one or more board members: 14%
- Not renominate a director: 12%
- Other: 3%
- We did not make any changes: 28%

Base: 677

10. Which of the following is true with regard to your board’s succession planning? (select all that apply)

- The plan outlines skills/diversity needed on the board in the future (e.g., skills matrix): 53%
- The plan is shared with the full board: 49%
- The plan is updated at least annually: 41%
- The plan covers the next 3 or more years: 33%
- Our board succession plan is primarily ad hoc: 33%
- The plan is linked to the assessment process: 28%
- We have a formalized plan in writing: 26%
- The plan is driven primarily by mandatory retirements: 16%
- N/A—our board does not have a succession plan: 10%

Base: 678

11. 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 reappointments: 21%
- Director refreshment policies: 12%
- CEO/executive pay: 8%
- Company approach to diversity/inclusion: 6%
- CEO succession planning: 5%
- Public policy/social issues: 5%
- Company strategy: 5%
- Director recruitment: 4%
- Crisis preparedness: 2%
- Company risk appetite: 2%
- None—it is not difficult to voice a dissenting view: 54%

Base: 677

12. In your opinion, which of the following contribute to directors’ reluctance to voice dissenting views? (select all that apply)

- Desire to maintain a collegial atmosphere: 52%
- Dominant personalities in the boardroom: 32%
- Lack of expertise/knowledge in the area being discussed: 29%
- The number of influential long-tenured directors: 18%
- Weak board leadership: 15%
- Dominating CEO: 15%
- Combined CEO/chair: 12%
- Fear of not being renominated: 5%

Base: 531

13. How effective is your board leadership (chair/lead director/presiding director) in the following areas?

- Obtaining board consensus: 73%
- Providing counsel to the CEO: 70%
- Conducting meetings effectively and efficiently: 67%
- Considering individual director views: 64%
- Challenging the CEO when necessary: 36%
- Communicating with shareholders: 32%
- Dealing with underperforming directors: 43%

Very effective: 73%
Somewhat effective: 25%
Not very effective: 2%
Not at all effective: 2%

Base: 646-673

14. To what extent do you think the following issues reflect negatively on a company’s board of directors?

- Recent reputational crisis (e.g., #MeToo, product recall): 38%
- Material weakness disclosure: 36%
- Dual class shares: 35%
- Average director tenure of 15 years or more: 31%
- Recent cyber breach: 36%
- Company operates in a socially controversial industry (e.g., firearms, tobacco): 37%
- Combined CEO/board chair: 36%
- Recent hedge fund activism: 35%

Very much: 38%
Somewhat: 36%
Not very much: 31%
Not at all: 19%

Base: 646-686
Shareholder communication

15a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?

- Yes: 58%
- No: 33%
- Don’t know: 9%

Base: 676

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

<table>
<thead>
<tr>
<th>Statement</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>The right investor representatives were present at the meeting</td>
<td>47%</td>
<td>44%</td>
<td>9%</td>
</tr>
<tr>
<td>Investors were well prepared for the engagement</td>
<td>46%</td>
<td>44%</td>
<td>10%</td>
</tr>
<tr>
<td>It positively impacted (or is likely to positively impact) proxy voting</td>
<td>41%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>The board received valuable insights from the engagement</td>
<td>35%</td>
<td>50%</td>
<td>15%</td>
</tr>
<tr>
<td>It positively impacted (or is likely to positively impact) investing decisions</td>
<td>28%</td>
<td>48%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Base: 386-389

Strategy/risk

16. Which of the following do you think drives institutional investors’ corporate governance policies and priorities? (select all that apply)

- Desire to impact specific governance practices/shareholder rights: 82%
- Desire to improve long-term value of companies in which they invest: 82%
- Desire for positive public reputation: 54%
- Desire to appeal to a wider group of investors/customers: 48%
- Desire to motivate specific social changes: 44%

Base: 671

17. 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: 67%
- Enhanced whistleblower programs: 41%
- Increased board-level reporting of culture metrics: 38%
- Conducted a broad-based employee culture assessment: 36%
- Reviewed and/or amended the company’s crisis management plan: 30%
- Implemented a culture/engagement component to strategic plan: 28%
- Brought in an outside expert to advise on corporate culture: 8%
- Other: 8%
- We have not taken any action: 12%

Base: 668

18. 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>Resource scarcity</td>
<td>30%</td>
<td>38%</td>
<td>24%</td>
<td>9%</td>
</tr>
<tr>
<td>Health care availability/cost</td>
<td>28%</td>
<td>52%</td>
<td>17%</td>
<td>2%</td>
</tr>
<tr>
<td>Human rights</td>
<td>27%</td>
<td>41%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>Climate change</td>
<td>24%</td>
<td>43%</td>
<td>24%</td>
<td>9%</td>
</tr>
<tr>
<td>Employee retirement security</td>
<td>12%</td>
<td>37%</td>
<td>37%</td>
<td>15%</td>
</tr>
<tr>
<td>Income inequality</td>
<td>12%</td>
<td>37%</td>
<td>37%</td>
<td>15%</td>
</tr>
<tr>
<td>Social movements (e.g., #MeToo, gun control)</td>
<td>10%</td>
<td>38%</td>
<td>34%</td>
<td>18%</td>
</tr>
<tr>
<td>Immigration</td>
<td>7%</td>
<td>33%</td>
<td>43%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Base: 660-668
19. How well do you think your board understands the following?

<table>
<thead>
<tr>
<th>Topic</th>
<th>Very well</th>
<th>Somewhat</th>
<th>Not very well</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company’s strategy</td>
<td>67%</td>
<td>29%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>The company’s competitive landscape</td>
<td>58%</td>
<td>36%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>The company’s culture</td>
<td>46%</td>
<td>47%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>The company’s talent development and pipeline</td>
<td>52%</td>
<td>50%</td>
<td>13%</td>
<td>1%</td>
</tr>
<tr>
<td>The company’s activist investor vulnerabilities</td>
<td>50%</td>
<td>50%</td>
<td>13%</td>
<td>1%</td>
</tr>
<tr>
<td>The company’s cybersecurity vulnerabilities</td>
<td>32%</td>
<td>54%</td>
<td>13%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base: 665-671

20. 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>Somewhat</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG issues are a part of your board’s enterprise risk management discussions</td>
<td>55%</td>
<td>13%</td>
</tr>
<tr>
<td>Your board has a strong understanding of ESG issues impacting the company</td>
<td>51%</td>
<td>13%</td>
</tr>
<tr>
<td>ESG issues are important to the company’s shareholders</td>
<td>51%</td>
<td>13%</td>
</tr>
<tr>
<td>ESG issues are linked to the company’s strategy</td>
<td>49%</td>
<td>13%</td>
</tr>
<tr>
<td>ESG issues are regularly part of your board’s agenda</td>
<td>45%</td>
<td>13%</td>
</tr>
<tr>
<td>Disclosing a company’s efforts on ESG-related issues should be a priority for management</td>
<td>41%</td>
<td>13%</td>
</tr>
<tr>
<td>ESG issues have a financial impact on your company’s performance</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Your board needs more reporting on ESG-related measures</td>
<td>32%</td>
<td>13%</td>
</tr>
<tr>
<td>Your board should have a standing committee dedicated to ESG issues</td>
<td>10%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Base: 604

21. Which of the following has your board discussed or put into place in the past 12 months to address an economic downturn?

<table>
<thead>
<tr>
<th>Issue</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A activity—merger or acquisition</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Reduction in workforce</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Reduction in capital investments</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>M&amp;A activity—sale or divestiture</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Other</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Reduction in share buybacks</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Relocation of operations</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Reduction in employee compensation/benefits</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>Reduction in share dividends</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>N/A—we have not addressed an economic downturn</td>
<td>28%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Base: 130-604

Executive compensation/talent management

22. What is the single greatest challenge to more timely and effective CEO succession planning? (select only one)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current CEO is performing as expected</td>
<td>32%</td>
</tr>
<tr>
<td>No clear internal CEO successor exists</td>
<td>17%</td>
</tr>
<tr>
<td>A clear internal CEO successor already exists</td>
<td>12%</td>
</tr>
<tr>
<td>More time-sensitive matters to address</td>
<td>7%</td>
</tr>
<tr>
<td>Discomfort in having the conversation</td>
<td>6%</td>
</tr>
<tr>
<td>Difficulty in agreeing on most important candidate attributes</td>
<td>4%</td>
</tr>
<tr>
<td>None of the above</td>
<td>24%</td>
</tr>
</tbody>
</table>

Base: 602

23. To what extent do you agree with the following regarding executive pay in the US?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive plans promote long-term shareholder value</td>
<td>46%</td>
<td>49%</td>
<td>1%</td>
</tr>
<tr>
<td>Proxy advisors have too much influence</td>
<td>39%</td>
<td>48%</td>
<td>13%</td>
</tr>
<tr>
<td>The media unfairly criticizes executive pay</td>
<td>34%</td>
<td>51%</td>
<td>15%</td>
</tr>
<tr>
<td>Compensation consultants have too much influence</td>
<td>26%</td>
<td>53%</td>
<td>22%</td>
</tr>
<tr>
<td>Executives are overpaid</td>
<td>18%</td>
<td>51%</td>
<td>32%</td>
</tr>
<tr>
<td>Executive pay exacerbates income inequality</td>
<td>18%</td>
<td>51%</td>
<td>32%</td>
</tr>
<tr>
<td>Investors focus too much on executive pay</td>
<td>16%</td>
<td>55%</td>
<td>29%</td>
</tr>
<tr>
<td>Compensation committees are too willing to approve overly generous packages/incentives</td>
<td>15%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Performance targets are too easy to achieve</td>
<td>9%</td>
<td>43%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Base: 654-659
24. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)

- Customer satisfaction: 72%
- Safety: 58%
- Quality: 54%
- Employee engagement and retention rate: 43%
- Succession planning: 39%
- Diversity and inclusion metrics: 34%
- Environmental goals: 34%
- N/A-compensation should only be tied to financial performance: 3%

Base: 661

25. Which of the following steps has your company taken, or plan to take, to address talent-related issues? (select all that apply)

- Increased discussion of talent at the board level: 68%
- Invested in upskilling/retraining: 57%
- Changed approach to recruiting/hiring: 33%
- Conducted review of company culture: 30%
- Increased compensation or added new employee benefits to be more competitive: 29%
- Implemented changes meant to improve/shift company culture: 27%
- Provided additional talent-related metrics to the board: 22%
- Reduced headcount: 20%
- N/A-our company has not taken any action to address talent-related issues: 6%

Base: 658

The broader environment

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

- Board gender diversity: Too much 68%, Right amount 23%, Not enough 9%
- Board racial/ethnic diversity: Too much 57%, Right amount 11%, Not enough 8%
- Environmental/sustainability issues: Too much 57%, Right amount 11%, Not enough 8%
- Pay inequality: Too much 50%, Right amount 15%, Not enough 7%
- Executive compensation: Too much 26%, Right amount 7%, Not enough 7%
- Corporate social responsibility: Too much 66%, Right amount 9%, Not enough 5%
- Capital allocation: Too much 66%, Right amount 22%, Not enough 27%
- Long-term stock performance: Too much 69%, Right amount 27%, Not enough 4%

Base: 651-657

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

- Social purpose and company profitability are not mutually exclusive: Very much 42%, Somewhat 43%, Not very much 11%, Not at all 4%
- Share ownership of public companies is becoming too concentrated among the largest asset managers: Very much 44%, Somewhat 21%, Not very much 4%, Not at all 12%
- Companies should be doing more to promote gender/racial diversity in the workplace: Very much 31%, Somewhat 53%, Not very much 21%, Not at all 4%
- Companies should have a social purpose: Very much 25%, Somewhat 51%, Not very much 19%, Not at all 5%
- Companies should prioritize a broader group of stakeholders in making company decisions (rather than just shareholders): Very much 28%, Somewhat 26%, Not very much 24%, Not at all 22%
- Companies should disclose metrics related to their corporate purpose: Very much 20%, Somewhat 47%, Not very much 25%, Not at all 14%
- Proxy advisory firms, on the whole, have a positive effect on corporate governance practices: Very much 44%, Somewhat 31%, Not very much 21%, Not at all 4%

Base: 652-657
28. In your opinion, how would a change in the party occupying the White House in the 2020 election impact the following?

<table>
<thead>
<tr>
<th>Area</th>
<th>Very positive effect</th>
<th>Somewhat positive effect</th>
<th>Somewhat negative effect</th>
<th>Very negative effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>US environmental policy</td>
<td>37%</td>
<td>32%</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>US position in global trade</td>
<td>22%</td>
<td>31%</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>Broader US regulatory regime</td>
<td>16%</td>
<td>21%</td>
<td>30%</td>
<td>33%</td>
</tr>
<tr>
<td>US tax regime</td>
<td>9%</td>
<td>13%</td>
<td>30%</td>
<td>42%</td>
</tr>
<tr>
<td>Our company</td>
<td>8%</td>
<td>27%</td>
<td>48%</td>
<td>18%</td>
</tr>
<tr>
<td>Overall US stock market value</td>
<td>7%</td>
<td>19%</td>
<td>48%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Base: 844-847

Implications of COVID-19

29. How would you rate your company’s response to the following COVID-19-related impacts on business?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interruptions in internal operations</td>
<td>69%</td>
<td>47%</td>
<td>30%</td>
<td>2%</td>
</tr>
<tr>
<td>Supply chain interruptions</td>
<td>47%</td>
<td>40%</td>
<td>56%</td>
<td>5%</td>
</tr>
<tr>
<td>Talent shortages</td>
<td>39%</td>
<td>38%</td>
<td>16%</td>
<td>1%</td>
</tr>
<tr>
<td>Communications with shareholders</td>
<td>38%</td>
<td>50%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>The need to shift strategy</td>
<td>38%</td>
<td>50%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>Sharp reductions in revenue</td>
<td>37%</td>
<td>50%</td>
<td>12%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Base: 190-254

30. How would you rate management’s handling of internal operations in response to the COVID-19 pandemic in the following areas?

<table>
<thead>
<tr>
<th>Area</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remote leadership</td>
<td>80%</td>
<td>18%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Shifting to a remote work environment</td>
<td>73%</td>
<td>25%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Interactions/communications with the board</td>
<td>70%</td>
<td>23%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Employee relations/transparency</td>
<td>69%</td>
<td>28%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Customer communications</td>
<td>58%</td>
<td>38%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Revising budgets and projections</td>
<td>50%</td>
<td>39%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Reallocation of company resources</td>
<td>50%</td>
<td>43%</td>
<td>11%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base: 235-260

31. How did your board practices change in response to COVID-19? (select all that apply)

- Increased reporting from management: 83%
- Increased frequency of board/committee meetings: 87%
- Enhanced focus/scrutiny on the financial reporting process: 41%
- Revised/implemented emergency succession plan for executive team: 21%
- Revised/implemented emergency succession plan for directors: 18%
- Enhanced focus/scrutiny on selection of CEO and other senior leaders: 28%
- Simplified board/committee structures and processes: 31%
- Enhanced use of board/committee technology: 37%
- Revised/implemented emergency succession plan for non-executive directors: 18%
- Increased emphasis on board/committee accountability: 26%
- Increased focus/scrutiny on executive compensation arrangements: 26%
- Other: 9%

Base: 235
32. Compared to a similar period in 2019, how much time are you spending on your board and committee responsibilities during the COVID-19 crisis?

<table>
<thead>
<tr>
<th>Board Committee/Function</th>
<th>About the Same</th>
<th>Somewhat More Time</th>
<th>Twice as Much Time</th>
<th>More than Twice as Much Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominating/Governance Committee</td>
<td>68%</td>
<td>30%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>41%</td>
<td>50%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Audit Committee</td>
<td>30%</td>
<td>50%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Risk Committee</td>
<td>30%</td>
<td>50%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Full Board</td>
<td>24%</td>
<td>45%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

Base: 122-255

33. How would you rate your virtual board/committee meetings in the following areas?

<table>
<thead>
<tr>
<th>Area of Meeting Effectiveness</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of the technology platform</td>
<td>68%</td>
<td>50%</td>
<td>39%</td>
<td>5%</td>
</tr>
<tr>
<td>Ability to question/challenge management</td>
<td>45%</td>
<td>43%</td>
<td>30%</td>
<td>14%</td>
</tr>
<tr>
<td>Ability to interact among board members</td>
<td>41%</td>
<td>40%</td>
<td>34%</td>
<td>8%</td>
</tr>
<tr>
<td>Your own personal level of engagement</td>
<td>36%</td>
<td>34%</td>
<td>30%</td>
<td>7%</td>
</tr>
<tr>
<td>Ability to question/challenge management</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base: 258-260

34. Which of the following changes in the area of human capital management has your company made in response to the COVID-19 pandemic and its ramifications? (select all that apply)

<table>
<thead>
<tr>
<th>Change</th>
<th>Reduction or Freeze in Executive Pay</th>
<th>Furloughs</th>
<th>Layoffs</th>
<th>Reduction in Board Compensation</th>
<th>Reduction or Freeze in Employee Salaries</th>
<th>Increase in Employee Benefits (e.g., sick pay, child care stipend, mental health resources)</th>
<th>Reduction or Elimination of Executive Bonuses</th>
<th>Reduction or Elimination of Employee Bonuses</th>
<th>Reduction in Employee Benefits (e.g., 401k Contributions)</th>
<th>None of the Above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37%</td>
<td>31%</td>
<td>24%</td>
<td>24%</td>
<td>22%</td>
<td>21%</td>
<td>20%</td>
<td>12%</td>
<td>9%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Base: 250

35. Which of the following strategic changes has your company made in response to the COVID-19 pandemic and its ramifications? (select all that apply)

<table>
<thead>
<tr>
<th>Change</th>
<th>Reorganization of Debt or Expanding Borrowing Capacity</th>
<th>Change in Capital Allocation</th>
<th>Voluntary Reduction or Elimination of Stock Buybacks</th>
<th>Decreased or Suspended M&amp;A Activity</th>
<th>Reorganization of Supply Chain Operations</th>
<th>Voluntary Reduction or Elimination of Dividends</th>
<th>Increased M&amp;A Activity</th>
<th>Adoption of Poison Pill/Activist Protections</th>
<th>None of the Above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
<td>50%</td>
<td>39%</td>
<td>22%</td>
<td>20%</td>
<td>11%</td>
<td>10%</td>
<td>5%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Base: 260

36. In your opinion, to what extent will COVID-19 have the following long-term structural impacts on business in general?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Significant Impact</th>
<th>Moderate Impact</th>
<th>Some Impact</th>
<th>No Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Employees’ Ability to Work Remotely</td>
<td>71%</td>
<td>47%</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td>Decrease in Employee Travel</td>
<td>55%</td>
<td>26%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Increase in Companies’ Average Liquidity Levels</td>
<td>47%</td>
<td>26%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Reduce Globalization (e.g., in Supply Chains)</td>
<td>34%</td>
<td>21%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Increase in Industry Consolidation</td>
<td>26%</td>
<td>21%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Reduction in Number or Size of Physical Office Locations</td>
<td>32%</td>
<td>26%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Increase in Employee Benefits</td>
<td>23%</td>
<td>24%</td>
<td>12%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Base: 257-260
Demographics

You are:

- Female: 76%
- Male: 24%

Base: 642

Your age is:

- 50 and under: 17%
- 51-60: 26%
- 61-65: 20%
- 66-70: 25%
- 71-75: 11%
- 76 or older: 8%

Base: 651

What are the annual revenues of the largest company on whose board you serve?

- Less than $500 million: 20%
- $500 million to $1 billion: 18%
- $1 billion to $5 billion: 18%
- $5 billion to $10 billion: 14%
- More than $10 billion: 11%

Base: 652

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 2020, 693 directors participated in our survey. The respondents represent a cross-section of companies from over a dozen industries, 75% of which have annual revenues of more than $1 billion. Seventy-six percent (76%) of the respondents were men and 24% 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.

Project team

**Maria Castañón Moats**
Leader, Governance Insights Center
maria.castanon.moats@pwc.com

**Paul DeNicola**
Principal, Governance Insights Center
paul.denicola@pwc.com

**Leah Malone**
Director, Governance Insights Center
leah.l.malone@pwc.com

**Shelley Wilson**
Marketing Director
Governance Insights Center

**Christine Carey**
Marketing Manager
Governance Insights Center

**Nick Bochna**
Project Team Specialist
Governance Insights Center

**Dan von Lossnitzer**
Lauren Francesconi
Design
Creative Team