Charting the course through a changing governance landscape

PwC’s 2022 Annual Corporate Directors Survey
Introduction

In 2022, as both the ongoing direct impacts and unexpected side effects of the COVID-19 pandemic continue to mount, the landscape of the business world is shifting yet again. An ongoing war in Ukraine, rising global inflation, fears of recession, and the near-constant drumbeat of catastrophic environmental news and predictions are changing the geopolitical context. In the US, market turmoil, social upheaval, political polarization, looming midterm elections, and uncertain regulatory developments make the landscape feel like uncharted territory. When the path is uncertain, boards are a source for constancy and guidance.

Against this backdrop, business leaders are confronting a new trust crisis. While surveys show that the public trusts business over other institutions like the government, media, and NGOs, the picture isn’t perfect. In fact, business leaders vastly overestimate this sentiment. A recent PwC survey shows that while 87% of business executives believe consumers highly trust their company, only 30% of consumers actually do. Trust is hard won and easily lost, and stakeholders are coming to expect more from companies. This lands at the feet of the board of directors as the stewards of the company.

Their role on the board of a public company demands that directors keep their eyes on the horizon, plotting the course amid sometimes choppy waters. As shareholder and consumer expectations rise, our survey of more than 700 public company directors shows that board oversight and board practices are shifting in response. Above all, boards are becoming much more transparent. They are engaging with shareholders and providing more disclosure than ever, with the hope that it will build and maintain trust.

One of the areas drawing this increased focus and disclosure is ESG, with boards spending more time than ever on a host of ESG topics. But we see the ESG journey for boards starting to diverge based on company size. When it comes to the nature and the extent of the discussion, the boards of smaller companies have seen less progress than those of larger companies. Many of them haven’t devoted the time, aren’t as prepared for regulations, and have yet to begin integrating ESG into their strategic planning. As an emerging area of focus, many of these boards are not giving ESG equal attention—creating a blind spot in their oversight role.

But boards of companies of all sizes, from micro-cap to mega-cap, have blind spots, making it difficult for the board to navigate the company through hard times. And failing to recognize the issue hampers a board’s ability to stay ahead of the next challenge. We have identified these blind spots most commonly in areas like board refreshment, cybersecurity oversight, and ESG concerns (see page 5). Recognizing that these blind spots exist in boardrooms and examining how your own boards confront (or don’t confront) these issues is integral to bringing the company through this time of change.
Key findings

**Directors look for turnover**
48% of directors would replace at least one member of their board. Nineteen percent (19%) would replace two or more.

**Female directors prioritize action on climate change**
Two-thirds of female directors say reducing the impact of climate change is a priority even if it impacts short-term performance—compared to less than half of male directors.

**Directors don’t see a link between ESG and the bottom line**
Only 45% of directors believe that ESG issues actually have an impact on company performance.

**Directors see board diversity benefits, but question the candidates**
While 86% agree that diversity enhances the board, many think the new candidates are unneeded (34%) or even unqualified (31%).

**Directors don’t think environmental/sustainability expertise is important**
Only 11% of directors say it is very important for their board.

**On ESG, smaller company boards are far behind**

<table>
<thead>
<tr>
<th>Directors who agree ESG issues are linked to company strategy</th>
<th>Directors whose boards have discussed climate change</th>
</tr>
</thead>
<tbody>
<tr>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>40% &lt;$1B revenue</td>
<td>27% &gt;$10B revenue</td>
</tr>
</tbody>
</table>

**Shareholder engagement reaches a new high**
60% of directors say a member of their board other than their CEO met with shareholders during the year. Nearly 90% say it was productive.
## Board blind spots

<table>
<thead>
<tr>
<th>Topic</th>
<th>Blind spot</th>
<th>PwC perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board refreshment</strong></td>
<td>48% of directors want to see a fellow board member replaced. But 62% say their board would not embrace a retirement policy at age 72, and 70% say the same about adopting term limits.</td>
<td>Year after year, directors tell us that they would like to see more turnover on their boards. Yet few have implemented meaningful refreshment policies, and a majority say their board would not be willing to do so. While board refreshment can be accomplished through other means, like individual assessments, these findings show that many boards are not doing enough to make changes.</td>
</tr>
<tr>
<td><strong>Need for environmental expertise on the board</strong></td>
<td>Only 11% of directors believe environmental/sustainability expertise is very important for their board—ranking last on our list of skills and areas of expertise.</td>
<td>With increasing shareholder demands for detailed reporting on areas like carbon emissions, expectations for net zero commitments, and a potential new SEC disclosure regime to contend with, boards must oversee detailed environmental reporting. Without sufficient expertise among its directors that oversight could suffer.</td>
</tr>
<tr>
<td><strong>Oversight challenges</strong></td>
<td>Just 13% of directors think that reputational risks are a significant challenge to oversee, and just 17% say the same about financial risks.</td>
<td>A media storm can come by surprise and quickly take a major toll on the company’s stock price. While financial risks are more of a known quantity, they impact a company to its core. When directors feel that they have these risks “in hand” is when they will be least prepared to spot early signs of a problem.</td>
</tr>
<tr>
<td>Topic</td>
<td>Blind spot</td>
<td>PwC perspective</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>Cybersecurity</strong></td>
<td>More than 90% of directors are comfortable that their company is staying current on cyber defenses, has identified its most valuable digital assets, and has done enough testing of its resistance to attacks.</td>
<td>Cyberattacks continue to make headlines as threat actors find new ways to breach what companies thought were impermeable systems. As hard as data security and cyber defense teams work, they cannot always keep up with the next form of attack. With such high levels of confidence in the boardroom, companies risk paying insufficient attention, leaving themselves vulnerable.</td>
</tr>
<tr>
<td><strong>Role of business in political/social issues</strong></td>
<td>Only 39% of directors say their board has discussed the company’s stance on social issues in the past 12 months. Even fewer—30%—say they have discussed corporate political activity.</td>
<td>With social issues continuing to divide Americans, many customers, employees, and suppliers expect corporations to take a stand. If these statements and commitments are not flowing through the boardroom, a key area of oversight is missing.</td>
</tr>
<tr>
<td><strong>Internal processes and controls over ESG</strong></td>
<td>Less than two-thirds (65%) of directors say their board understands the internal processes and controls around ESG.</td>
<td>With new SEC disclosure regulations expected, it will be imperative that companies can offer accurate, reliable information in this area. The processes around how that data is gathered and disclosed will be a critical piece of board oversight, and is not one that can be implemented overnight.</td>
</tr>
</tbody>
</table>
Directors increasingly critical of peer performance

As the governance landscape has evolved, so too has the topic of board composition. With so much oversight responsibility held by just a dozen or fewer board members, every seat matters, and matters greatly. Investors and other stakeholders want to be sure that the board is comprised of the highest quality, most competent directors who will together, draw on a diverse set of experiences and backgrounds to effectively oversee the company.

With the intense focus on board composition, data shows that in 2021, S&P 500 boards added more new independent directors than in any recent year. But still, directors tell us that more change could—and should—be made.

Almost half of directors (48%) think one or more directors on their board should be replaced. Nineteen percent (19%) would replace two or more of their fellow directors.

What’s more—directors are more likely to identify performance-related issues with their peers this year. Almost one in five (19%) say that fellow board members are reluctant to challenge management—up from 12% last year. Directors are also more likely to identify peers who overstep the bounds of their authority (17%, up from 11%). After a year when fewer voiced these types of complaints, directors seem more critical of their peers than in the past.

48% of directors would like to replace at least one fellow board member

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Q3. In your opinion, how many directors on your board should be replaced? (select one)
Base: 693
Despite discontent, boards reject refreshment tools

Directors tell us that they would like to see more turnover on their boards (see page 7). But few say their own boards would embrace policies that would set real limits on board service and drive greater turnover.

A mandatory retirement age can be a strong tool to encourage refreshment. But only 14% of directors think their board would be willing to adopt a retirement age of 72 or younger. Sixty-two percent (62%) think they would not.

Mandatory term limits are even more unpopular. Seventy percent (70%) of directors say their board would not adopt term limits of 12 years or less. Just 7% say their board has such a policy in place, and less than a quarter (23%) think their board would be willing to adopt it.

But implementing an individual assessment process may be one area that could make a difference in board refreshment. More than one-third of directors (37%) say their board uses the practice, and another 35% think their board would be willing to adopt it. A rigorous assessment process can help identify the board’s strengths and the areas that need improvement—including, ideally, when a director is no longer the right fit for the board.

Individual assessments win favor, but most boards shun other refreshment policies

<table>
<thead>
<tr>
<th>Policy</th>
<th>Willing to adopt</th>
<th>Unwilling to adopt</th>
<th>Already have</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual assessments</td>
<td>35%</td>
<td>28%</td>
<td>37%</td>
</tr>
<tr>
<td>Mandatory retirement age of 72 or younger</td>
<td>14%</td>
<td>62%</td>
<td>24%</td>
</tr>
<tr>
<td>Mandatory term limit of 12 years or less</td>
<td>23%</td>
<td>70%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Q10. Do you think your board would be willing to institute any of the following policies?
Base: 671
Almost one-third of directors (31%) think that sitting CEOs should not serve on a board outside their own company.

Directors take a conservative view on overboarding

The demands of public company board service are significant. Directors can spend upwards of 250 hours per year in their role, and major events like a CEO search or an activist investor can increase that time commitment even more. Ensuring that directors have enough time and attention to devote to their role is critical.

Investors and proxy advisors have honed in on overboarding as a significant concern for director performance. Directors who serve on too many boards, and especially those who have active executive careers at the same time, might not have the bandwidth necessary for effective board service.
Investor overboarding policies vary, but many have converged around four or five boards as an upper limit for independent directors. For directors who are active CEOs or executive officers, policies usually allow for two total boards (including the executive’s own board, if applicable).

Directors take a more limited view. While they most commonly agree that CEOs and NEOs should serve on no more than two total boards (including their own), almost one-third (31%) think CEOs should not serve on another board at all. And 40% say the same about other sitting executives. Few investors have such a narrow view of executives’ ability to serve on outside boards.

When it comes to independent directors, directors most commonly say that three boards should be the upper limit (48%). Thirty-one percent (31%) think up to four boards is appropriate, and just 9% think it’s acceptable for directors to serve on five or more boards.

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**What is the right number of boards for active executives?**

<table>
<thead>
<tr>
<th>CEO directors</th>
<th>Other sitting executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (including their own board)</td>
<td>1 (including their own board)</td>
</tr>
<tr>
<td>58%</td>
<td>47%</td>
</tr>
<tr>
<td>31%</td>
<td>40%</td>
</tr>
<tr>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>2 or more</td>
<td>3 or more</td>
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</table>

**What is the right number of boards for independent directors?**

<table>
<thead>
<tr>
<th>Independent directors</th>
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</thead>
<tbody>
<tr>
<td>2 or fewer</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5 or more</td>
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</table>
Diversity of thought comes in many forms

Board diversity has been an area of intense focus from investors for years. Voting policies have evolved as large institutional investors have made stricter and more specific calls for diversity. Regulations, including a listing standard for NASDAQ companies, push boards to ensure certain types of individuals are represented on the board. Much of the focus, especially when it comes to meeting certain specific diversity requirements, has been on gender, though there is increasing focus on other “under-represented communities” as well.

This trend is clear among directors as well. When we ask about what is important to create diversity of thought, gender diversity is still the most commonly cited (88%). But the percentage saying the same about racial/ethnic diversity is not far behind at 83%. This reflects a 6-point increase since 2019. Directors are also likely to say that diversity of age and board tenure (79% and 74%, respectively) are important.

The percentage of directors who think diversity of socio-economic background is important has increased significantly since 2019, from 39% to 58%. As the concept of cognitive diversity in workplaces and boardrooms continues to evolve, it’s becoming more apparent that the traditional view of what makes a “diverse” board will need to evolve as well.

Creating diversity in the boardroom

Percentage of directors saying the following elements are important to creating diversity of thought:

- Gender: 88%
- Race/ethnicity: 83%
- Age: 79%
- Board tenure: 74%
- Socio-economic background: 58%

Q4. How important are the following factors in achieving diversity of thought in the boardroom?

Base: 695-699
Female directors are more likely to value many kinds of diversity

<table>
<thead>
<tr>
<th>Factor</th>
<th>MALE</th>
<th>FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>84%</td>
<td>98%</td>
</tr>
<tr>
<td>Race/ethnicity</td>
<td>80%</td>
<td>92%</td>
</tr>
<tr>
<td>Age</td>
<td>75%</td>
<td>88%</td>
</tr>
<tr>
<td>Board tenure</td>
<td>71%</td>
<td>82%</td>
</tr>
</tbody>
</table>

Q4. How important are the following factors in achieving diversity of thought in the boardroom?
Base: 640-643

Board diversity has been an area of intense focus from investors for years. Voting policies have evolved as large institutional investors have made stricter and more specific calls for diversity.
Drive for diversity leads to change

As investors push for board diversity, boardrooms have felt the impact. The new independent directors joining S&P 500 boards in 2021 represented the most diverse group ever. And it’s not just the S&P 500—directors regardless of company size tell us their boards are making changes in response to calls for diversity.

Almost all directors (96%) say their board has done something in the past two years regarding board diversity. Their most common action: increased disclosure. The percentage of directors saying their company disclosed information in the proxy statement about board diversity jumped 15 points from 54% in 2021 to 69% this year.

Two-thirds (67%) of directors say their boards replaced a retiring director with one who increases the board’s diversity, showing that the need for diversity has impacted succession planning in a significant way.

Finally, more than one-third (36%) of directors say their board increased its size to add a director who increases the board’s diversity. In fact, in 2021, 78 boards in the S&P 500 expanded their size to add one or more female directors, and 88 increased their size to add racial/ethnic diversity. For boards without looming vacancies, increasing the board size can be an effective way to add diversity to the board without forcing a vacancy at an inopportune time.

On diversity, boards focus on disclosure and recruitment

Q6. Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)

- Disclosed information in proxy statement about board diversity 69%
- Replaced retiring director with one who increases diversity 67%
- Increased board size to add director who increases diversity 36%

As boards diversify, some directors are skeptical

Among public company directors, there is agreement that board diversity has real benefits. More than nine out of ten directors (93%) say that diversity brings unique perspectives to the boardroom. But while a majority of directors also see benefits such as improving relationships with investors, improving strategy/risk oversight, and enhancing company performance, we don’t see a growing consensus in those areas. The percentage of directors who agree with those statements hasn’t increased as boards have become more diverse. In many cases, the percentages have actually declined.

What we do see growing is the share of directors who see issues with the new diverse candidates. Compared to 2019, directors are quite a bit more likely to say that efforts to diversify boards results in unneeded candidates (34%, up from 27%). Almost one-third of directors (31%) say that the push for diversity is resulting in unqualified candidates—up from just 23% three years ago.

### Directors still see clear benefits in board diversity…but show growing unease

<table>
<thead>
<tr>
<th>Statement</th>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brings unique perspectives to the boardroom</td>
<td>94%</td>
<td>93%</td>
</tr>
<tr>
<td>Improves strategy/risk oversight</td>
<td>80%</td>
<td>74%</td>
</tr>
<tr>
<td>Enhances company performance</td>
<td>76%</td>
<td>73%</td>
</tr>
<tr>
<td>Results in unneeded candidates</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>Results in unqualified candidates</td>
<td>23%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Q5. To what extent do you agree with the following statements about board diversity?
Base: 728-734 (2019); 694-699 (2022)

### Male directors question elements of board diversity

<table>
<thead>
<tr>
<th>Element</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driven by political correctness</td>
<td>64%</td>
<td>29%</td>
</tr>
<tr>
<td>Shareholders are too preoccupied with the topic</td>
<td>61%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Q5. To what extent do you agree with the following statements about board diversity?
Base: 638-640
Confidence is high, even as demands grow

ESG (environmental, social, and governance) has evolved from what was once a peripheral topic to one that is central in the boardroom today. It dominates how many investors analyze a company and its stewardship priorities.

The expectation that directors be deeply involved in a company’s ESG strategy is a central aspect of board service at most companies. So it’s encouraging that the vast majority of directors (86%) say their board understands the company’s ESG strategy. Another 82% say the board understands the company’s ESG risks, and 77% think the board understands the opportunities ESG presents.

Directors are even more confident of the board’s understanding in traditional areas of oversight that fall under the ESG umbrella. This includes talent and culture, which 92% of directors say the board understands. Ninety percent (90%) of directors also tell us that their board understands both the company’s diversity and inclusion efforts and its data privacy and cybersecurity policies and practices.

But directors are much less confident in emerging areas like climate risk and related regulations. Fewer than two-thirds of directors say their board understands the company’s climate risk/strategy or the internal processes and controls around data collection. And just more than half (56%) think they understand the company’s carbon emissions. With SEC regulations pending in this area, boards may find it is the next area that calls for significant focus and learning.

Directors are confident on ESG, but climate poses a challenge

Percentage of directors who think their boards understand the following areas:

- **Talent and corporate culture**: 92%
- **Diversity and inclusion efforts**: 90%
- **Data privacy/cybersecurity**: 90%
- **Overall ESG strategy**: 86%
- **Internal controls/processes around data collection**: 65%
- **Climate risk/strategy**: 63%
- **Carbon emissions**: 56%

Q18. How well do you think your board understands the following as they relate to your company?
Base: 602-651
ESG is on the agenda, but fewer directors see a connection to the bottom line

As boards continue to grapple with ESG oversight, they are settling on more systematic board processes. Almost two-thirds of directors (65%) say that ESG is part of the board’s enterprise risk management (ERM) discussions, meaning it is being built into the central board discussions of company-wide risk calculations.

We also see an increasing percentage of directors (55%, up three points from last year) who say ESG is regularly a part of the board’s agenda. And directors are more satisfied with their oversight, with only 24% saying the board needs more definition around the process.

But at the same time, directors are less likely to see a connection between ESG and company fundamentals. Just 57% of directors say ESG issues are linked to company strategy, down from 64% last year. And only 45% of directors think that ESG issues have an impact on company performance, down nine points from a year ago. So even as processes become more solidified, the connection between ESG and the fundamentals of the company may be less obvious, at least in directors’ eyes.

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**Board oversight process solidifies, perspectives change**

Percentage of directors who agree with the following about ESG issues:

<table>
<thead>
<tr>
<th>Statement</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularly part of the board's agenda</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>Linked to company strategy</td>
<td>64%</td>
<td>57%</td>
</tr>
<tr>
<td>Impacts company financial performance</td>
<td>54%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Q19. With which of the following statements do you agree about ESG issues? (select all that apply)
Base: 788 (2021); 638 (2022)
Female directors more likely to see ESG’s connection to strategy, and to prioritize climate change

ESG issues are linked to company strategy

- Male: 55%
- Female: 65%

Reducing the impact of climate change is a priority even if it impacts short-term financial performance

- Male: 45%
- Female: 66%

Q19. With which of the following statements do you agree about ESG issues? (select all that apply): Q20. To what extent do you agree with the following statements regarding climate change and your company’s climate strategy?

Base: 624; 635
The ESG topics few boards are discussing

Although more than half of directors say ESG is regularly on the board’s agenda (see page 16), the term “ESG” is broad and covers a wide range of topics. Among these areas, the level of discussion in the boardroom varies widely.

Which topics are usually covered?
Over 90% of directors say their board has discussed data security and talent management in the past 12 months. Almost as many (86%) say the same about board composition. These areas are important elements of ESG, but they are also well-trodden areas of board oversight.

What’s less common is board attention on newer, emerging areas. Just 39% of directors say their board has somewhat or substantially covered their company’s stance on social issues in the past 12 months. Less than one-third say they’ve covered human rights issues and only 30% say the same about corporate political activity.

These may be areas that are less central to company strategy, but they are topics where investors are looking for company action. When stakeholders expect companies to make statements and take positions, board oversight should not be absent.

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Key ESG issues fail to get time in the boardroom
Percent of directors saying their board has discussed the following issues in the past 12 months:

- **Environmental remediation**: 40%
- **Company stance on social issues**: 39%
- **Human rights**: 32%
- **Corporate political activity**: 30%

Q17. In the last 12 months, to what extent has your board discussed the following ESG issues?
Base: 646-647
Support for ESG measures in executive compensation shifts

As boards and companies work to integrate ESG concerns into company strategy, many are also considering how to create the right incentives for executives. Where once executive compensation plans were focused primarily around financial goals, companies are now adding non-financial metrics as well. Some companies use these metrics because they are looking to reflect, or change, the culture at a company. Others are looking to manage business risks or pursue opportunities related to ESG. As of last year, more than half of companies in the S&P 500 (57%) used at least one ESG metric in their plans.

More than nine out of ten directors (92%) agree that some type of non-financial metrics are appropriate, and the most commonly supported measure is customer satisfaction (62%). But this year we have seen rapidly increasing support for workforce-related measures as well. More than half of directors (52%) support using diversity and inclusion metrics, compared to just 39% in 2020. More directors also show support for metrics related to employee engagement (57%, up from 54% in 2020) and succession planning (54%, up from 43% in 2020).

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**Directors increasingly get behind workforce measures**

Percentage of directors who think metrics related to the following should be included in executive compensation plans:

<table>
<thead>
<tr>
<th>Metric</th>
<th>2020</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity and inclusion</td>
<td>39%</td>
<td>52%</td>
</tr>
<tr>
<td>Succession planning</td>
<td>43%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Q21. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)

Base: 661 (2020); 646 (2022)
Male and female directors support different types of ESG-related goals

Male directors are more likely to support:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td>65%</td>
<td>55%</td>
</tr>
<tr>
<td>Succession planning</td>
<td>57%</td>
<td>44%</td>
</tr>
<tr>
<td>Quality</td>
<td>53%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Female directors are more likely to support:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>D&amp;I metrics</td>
<td>45%</td>
<td>73%</td>
</tr>
<tr>
<td>Environmental goals</td>
<td>30%</td>
<td>40%</td>
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</table>

Q21. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)
Base: 634
In many areas, the experiences and views of directors at public companies, both large and small, are similar. They have fairly consistent views about board refreshment and diversity, and about board practices—except when it comes to the core ESG issues. We hear from directors on the boards of large companies (more than $10 billion in annual revenue) that they spend more time on ESG issues, and they understand the core areas and how they connect to company strategy more commonly than directors on the boards of small companies (less than $1 billion in annual revenue). Their boards are more likely to see how ESG integrates with company and board practices. They also put more value on ESG expertise on their board, and they are more likely to believe that actions in the area will impact their relationships with stakeholders.

**Board time**
Large company boards are more than twice as likely to have discussed:

- Climate change: 72% for large companies vs. 27% for small companies
- Carbon emissions: 69% for large companies vs. 28% for small companies
- Company stance on social issues: 53% for large companies vs. 25% for small companies

Q17. In the last 12 months, to what extent has your board discussed the following ESG issues?
Base: 313-316
**Director understanding**

Directors of large companies are more likely to say that the board understands the company’s:

- **ESG risks**: 91% for large companies, 66% for small companies.
- **ESG opportunities**: 87% for large companies, 61% for small companies.
- **Climate risk/strategy**: 77% for large companies, 44% for small companies.
- **Carbon emissions**: 75% for large companies, 35% for small companies.

Q18. How well do you think your board understands the following as they relate to your company?  
Base: 291-313  

**Integration into board/company processes**

Large company directors are more likely to say the following about ESG:

- **It's part of the board's ERM discussions**: 79% for large companies, 48% for small companies.
- **It's linked to company strategy**: 73% for large companies, 40% for small companies.
- **It's a regular part of the board's agenda**: 69% for large companies, 30% for small companies.

Q19. With which of the following statements do you agree about ESG issues? (select all that apply)  
Base: 307  
Shareholder engagement reaches new heights

The once-unusual practice of having non-executive directors meet with investors is now the norm. While just 42% of directors reported this practice in 2017, in 2022, 60% of directors say that a member of their board (other than the CEO) had direct engagement with shareholders in the past 12 months. This represents almost a 50% increase in prevalence compared to five years ago.

For the companies where board members are not involved in these meetings—what’s keeping them away? Most commonly, directors say it’s because shareholders were not interested (49%). Investors have limited time and want to spend it wisely, while also respecting the time of directors. If they don’t have specific reasons to meet with directors, they will make that clear, but will typically appreciate the offer to have a director available.

A large percentage of directors (42%) also tell us that their boards don’t think direct discussions between investors and directors are appropriate. With shareholder engagement becoming more and more expected, these directors may find themselves out of step with current trends and expectations.

What keeps directors away from shareholder engagement? Almost half (49%) say shareholders were not interested.
Another nearly one in five (19%) say management prefers that directors not have a role in shareholder engagement. For directors on those boards, it may be time for a deeper discussion on the topic. If shareholder requests to meet with a director are rebuffed, this could be seen as a red flag, indicating either a lack of trust between management and the board, a lack of critical knowledge among board leadership, or other issues that would call for some skepticism about the board’s involvement and oversight.

Growing engagement levels

Percentage of directors who say a member of the board (other than the CEO) is directly involved in shareholder engagement:

Q12a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?
Base: 848 (2017); 707 (2018); 721 (2019); 676 (2020); 838 (2021); 689 (2022)

Directors at large companies are much more likely to say their board is involved in shareholder engagement

Q12a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?
Base: 645
Directors give shareholder engagement positive reviews

Most directors whose boards engage with shareholders have a positive experience. More than four out of five (84%) say the discussion was productive. Eighty-three percent (83%) say investors were well prepared, and 81% say the level of discussion was appropriate. These are strong reviews for a practice that seemed unusual a decade ago.

And directors don’t just say that the meeting was positive. They also say that their board took some action as a result of the discussion. Most commonly, directors say that the engagement impacted board discussions of certain topics (41%). It may have brought up issues the board had not previously identified or discussed, or it may have impacted the way those topics were considered.

Another 28% of directors say their board made a change to their public disclosure in response to the engagement. Nearly one in five (18%) said their board asked different questions of management. A small percentage say their boards made changes to their governance policies (12%), revised an element of company strategy (11%), or changed their board succession plan (5%).

These findings show that a productive engagement with shareholders doesn’t have to result in upheaval on the board. Simple steps like shifting the discussion in the boardroom can make a difference and make the engagement a valuable tool. That type of feedback/discussion can improve the board’s performance and enhance their oversight without calling for wholesale changes.

---

**High marks for engagement**

Percentage of directors who agree that:

- 84% Discussion was productive
- 83% Investors were well prepared
- 81% Discussion focused on board-level oversight
- 80% Investors understood the company’s business and strategy

Q12d. Do you agree with the following characterizations of that shareholder engagement?
Base: 382-384
Shareholder engagement can lead to changes without upheaval. Even simple things like a shift in boardroom discussions can be valuable.

<table>
<thead>
<tr>
<th>Annual Revenue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$1B</td>
<td>10%</td>
</tr>
<tr>
<td>&gt;$10B</td>
<td>43%</td>
</tr>
</tbody>
</table>

Q12d. Do you agree with the following characterizations of that shareholder engagement? Base: 363
Directors forecast shifts in investor focus

With inflation numbers reaching levels not seen in decades, rising interest rates, and increasing market turmoil, the economic outlook is becoming more uncertain for companies and for their shareholders. Institutional investors, who have put a heavy focus on governance improvements and on ESG concerns over the past decade, have done so largely within a bull market. How do directors think an economic downturn would affect their views?

A majority of directors think that a downturn would shift more attention to capital allocation (81%), long-term strategy (73%), short-term stock performance (66%), and executive compensation (62%).

The area least likely to be affected, according to directors, is board diversity. Almost half of directors (45%) think a downturn would have no effect on the amount of shareholder focus on the issue.

The areas directors think would receive less attention: carbon emissions and climate risk. Sixty-one percent (61%) of directors think a downturn would mean less shareholder focus on each of those issues. This could be related to the fact that only 45% of directors think that ESG issues have a financial impact on the company—and are therefore issues that would become less important to shareholders when company financial performance might be in question.

An economic downturn could mean changing priorities

Percentage of directors who think a downturn would mean more investor attention on:

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital allocation</td>
<td>81%</td>
</tr>
<tr>
<td>Long-term strategic initiatives</td>
<td>73%</td>
</tr>
<tr>
<td>Short-term stock performance</td>
<td>66%</td>
</tr>
<tr>
<td>Executive compensation</td>
<td>62%</td>
</tr>
</tbody>
</table>

Q25. How do you think an economic downturn would affect institutional shareholder focus on the following areas?  
Base: 637-640  
Trust and transparency

Searching for ways to impact stakeholder trust

Amid social and economic disruption, the public increasingly sees corporations as agents of stability. In fact, business is the most trusted institution in America, according to the Edelman Trust Barometer. But stakeholder trust is hard to win and easy to lose. To maintain trust, companies must be intentional when it comes to thinking through their stakeholder relationships.

When it comes to board actions that could increase trust, directors look to increasing transparency and accountability. Seventy-one percent (71%) of directors say that engaging directly with shareholders would enhance stakeholder trust. This compares to the 60% of directors who say their boards are doing this (see page 23). While 60% represents a new high of shareholder engagement, the gap also indicates that more boards could be finding a benefit in this area.

Second to engagement, directors point to enhanced shareholder communications. Seventy percent (70%) of directors say that enhancing disclosure or reporting can have a positive impact on stakeholder trust. Making governance changes in a central focus area can also help. Almost two-thirds (64%) of directors say increasing board diversity can improve trust.

Less likely to have an impact: actions around social/political issues. Just 24% of directors think making statements about social issues improves trust, and only 21% say that being more transparent about political spending will have a positive impact.

### Increasing board transparency to strengthen trust

Percentage of directors who think that the following actions could increase stakeholder trust:

- Engaging directly with shareholders: 71%
- Enhanced disclosure/reporting: 70%
- Increasing board diversity: 64%

Q24. To what extent do you think the following actions could enhance stakeholder trust? Base: 640-641

### Female directors more likely to say company actions can improve trust

<table>
<thead>
<tr>
<th></th>
<th>MALE</th>
<th>FEMALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced disclosure</td>
<td>66%</td>
<td>81%</td>
</tr>
<tr>
<td>Board diversity</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>Committing to forward-looking environmental goals</td>
<td>48%</td>
<td>68%</td>
</tr>
</tbody>
</table>

Q24. To what extent do you think the following actions could enhance stakeholder trust? Base: 635
# 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>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>55%</td>
<td>38%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Operational expertise</td>
<td>56%</td>
<td>50%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Risk management expertise</td>
<td>54%</td>
<td>56%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Industry expertise</td>
<td>46%</td>
<td>39%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Gender diversity</td>
<td>44%</td>
<td>38%</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>40%</td>
<td>39%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Cyber risk expertise</td>
<td>36%</td>
<td>53%</td>
<td>13%</td>
<td>9%</td>
</tr>
<tr>
<td>IT/digital expertise</td>
<td>26%</td>
<td>49%</td>
<td>29%</td>
<td>6%</td>
</tr>
<tr>
<td>Age diversity</td>
<td>19%</td>
<td>41%</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>International expertise</td>
<td>18%</td>
<td>36%</td>
<td>36%</td>
<td>7%</td>
</tr>
<tr>
<td>Human resources expertise</td>
<td>18%</td>
<td>41%</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>Marketing expertise</td>
<td>13%</td>
<td>52%</td>
<td>29%</td>
<td>12%</td>
</tr>
<tr>
<td>Environmental/sustainability expertise</td>
<td>11%</td>
<td>52%</td>
<td>31%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Base: 692-700

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

- **19%** Reluctant to challenge management
- **17%** Oversteps the boundaries of his/her oversight role
- **12%** Interaction style negatively impacts board dynamics (e.g., style/culture/fit)
- **11%** Lacks appropriate skills/expertise
- **8%** Advanced age has led to diminished performance
- **7%** Consistently unprepared for meetings
- **7%** Board service largely driven by director fees
- **7%** Serves on too many boards
- **56%** None of the above apply

Base: 693

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

- **52%** None of the above apply
- **29%** One
- **15%** Two
- **4%** More than two
- **2%** Zero

Base: 693
6. Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)

- Disclosed information about board diversity in the company’s proxy statement: 69%
- Replaced a retiring director with a director who increases the board’s diversity: 67%
- Increased board size to add a diverse director: 36%
- Engaged with shareholders on the topic of board diversity: 31%
- Amended/modiﬁed the board’s succession plan to ensure increased board diversity in the future: 6%
- Other: 4%

N/A – Our board has not taken any action in the past two years: 4%

7. 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: 36%
- Change composition of board committees: 29%
- Diversify the board: 27%
- Provide disclosure about the board’s assessment process in the proxy statement: 22%
- Use an outside consultant to assess performance: 17%
- Not re-nominate a director: 12%
- Provide counsel to one or more board members: 11%
- Other: 3%
- We did not make any changes: 28%

Base: 682

8. In your opinion, which of the following areas of oversight do not receive sufficient board time/attention? (select all that apply)

- Strategy: 37%
- Talent management: 33%
- Succession planning: 32%
- Cyber/digital/technology: 26%
- Crisis management: 25%
- Corporate culture: 24%
- Risk: 23%
- Climate risk: 16%
- Environmental, social, and governance (ESG): 15%
- Workforce diversity and inclusion: 12%
- Executive compensation: 3%

Base: 574

9. What sources do you use to recruit new board members? (select all that apply)

- Board member recommendations: 87%
- Search firms: 70%
- Management recommendations: 49%
- Advisor recommendations: 14%
- Investor recommendations: 13%
- Database maintained by industry/interest group: 8%

Base: 679

10. Do you think your board would be willing to institute any of the following policies?

- Mandatory continuing education: 39%
- Individual director assessments: 36%
- Mandatory committee chair rotation: 28%
- Director term limits of 12 years or less: 33%
- Mandatory retirement age of 72 or younger: 14%
- Other: 62%

Base: 666–677

11. In your opinion, what is the maximum total number of public company boards on which directors should serve? (select one for each category of director)

- Independent directors: 11%
- CEOs (including their own board): 31%
- Other sitting executives (including their own board, if applicable): 40%

Base: 675–684
Shareholder communication

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

- Yes: 32%
- No: 60%
- Don’t know: 8%

Base: 889

12b. Why were directors (other than the CEO) not involved in direct engagement with investors? (select all that apply)

- Investors were not interested: 49%
- Directors didn’t feel that direct engagement with shareholders was appropriate: 42%
- Management preferred that directors not speak with shareholders: 19%
- Directors didn’t feel comfortable/prepared: 11%
- Directors didn’t have time: 4%
- Other: 3%

Base: 226

12c. Which of the following steps did your board take as a result of that engagement? (select all that apply)

- Increased board discussions of specific topics: 41%
- Enhanced public disclosure in one or more areas: 28%
- Asked new/different questions of management: 18%
- Made changes to executive compensation plans, targets, or metrics: 18%
- Made changes to governance policies: 12%
- Revised an aspect of company strategy: 11%
- Implemented or revised board succession plan: 5%
- Other: 3%
- We did not take any specific steps: 32%

Base: 411

12d. Do you agree with the following characterizations of that shareholder engagement?

- Discussion was productive: 84%
- Investor representatives were well prepared: 83%
- Discussion was appropriately focused on board-level oversight: 81%
- Investor representatives understood the company’s business and strategy: 80%
- Investor representatives understood key issues material to the business: 75%
- Discussion was overly focused on ESG issues: 74%
- Discussion was perfunctory: 26%
- Discussion was appropriately focused on ESG issues: 25%
- Discussion was perfunctory: 75%

Base: 368–387
13. Which of the following risks pose significant oversight challenges to your board? (select all that apply)

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic/disruptive</td>
<td>60%</td>
</tr>
<tr>
<td>IT/data privacy/cybersecurity</td>
<td>59%</td>
</tr>
<tr>
<td>Talent and corporate culture</td>
<td>37%</td>
</tr>
<tr>
<td>Supply chain</td>
<td>27%</td>
</tr>
<tr>
<td>Compliance/regulatory</td>
<td>26%</td>
</tr>
<tr>
<td>Operational</td>
<td>24%</td>
</tr>
<tr>
<td>Social and environmental</td>
<td>19%</td>
</tr>
<tr>
<td>Financial</td>
<td>17%</td>
</tr>
<tr>
<td>Reputational</td>
<td>13%</td>
</tr>
<tr>
<td>Product/service quality</td>
<td>10%</td>
</tr>
</tbody>
</table>

Base: 648

14. To what extent do you anticipate needing to change or modify your company’s strategy in the next three years due to any of the following threats to strategy execution?

<table>
<thead>
<tr>
<th>Threat to Strategy Execution</th>
<th>Very Much</th>
<th>Somewhat</th>
<th>Not Very Much</th>
<th>Not at All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speed of technological change</td>
<td>34%</td>
<td>47%</td>
<td>16%</td>
<td>3%</td>
</tr>
<tr>
<td>Changes to regulatory environment</td>
<td>25%</td>
<td>49%</td>
<td>27%</td>
<td>3%</td>
</tr>
<tr>
<td>Cyber/data privacy threats</td>
<td>22%</td>
<td>52%</td>
<td>23%</td>
<td>3%</td>
</tr>
<tr>
<td>Uncertain economic growth</td>
<td>20%</td>
<td>53%</td>
<td>29%</td>
<td>13%</td>
</tr>
<tr>
<td>Changing consumer behaviors</td>
<td>16%</td>
<td>41%</td>
<td>29%</td>
<td>13%</td>
</tr>
<tr>
<td>Geopolitical uncertainty</td>
<td>15%</td>
<td>41%</td>
<td>35%</td>
<td>9%</td>
</tr>
<tr>
<td>Lack of availability of key skills</td>
<td>15%</td>
<td>37%</td>
<td>39%</td>
<td>9%</td>
</tr>
<tr>
<td>Environmental concerns</td>
<td>12%</td>
<td>37%</td>
<td>36%</td>
<td>19%</td>
</tr>
<tr>
<td>Social instability</td>
<td>1%</td>
<td>22%</td>
<td>56%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Base: 656–667

15. How comfortable are you that your company:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Very</th>
<th>Moderately</th>
<th>Not Very</th>
<th>Not at All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a comprehensive program to address data security and privacy</td>
<td>54%</td>
<td>40%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Has identified its most valuable and sensitive digital assets</td>
<td>53%</td>
<td>43%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>It's staying current on cybersecurity defenses</td>
<td>49%</td>
<td>48%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Has adequately tested its resistance to cyberattacks</td>
<td>48%</td>
<td>44%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Has adequately tested its cyber incident response plans</td>
<td>48%</td>
<td>44%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Provides the board with adequate reporting on cybersecurity metrics</td>
<td>47%</td>
<td>44%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Has identified those parties who might attack the company’s digital assets</td>
<td>21%</td>
<td>44%</td>
<td>32%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Base: 688–694
16. Where does your board primarily allocate oversight of ESG? (select one)

- **Full board**: 36%
- **Nominating/governance committee**: 36%
- **To various committees**: 36%
- **Separate ESG or similar committee**: 0%
- **Audit committee**: 5%
- **Risk committee**: 2%

Base: 653

17. In the last 12 months, to what extent has your board discussed the following ESG issues?

- **Talent management**: 36%
- **Data security**: 36%
- **Board composition**: 36%
- **Non-financial metrics in executive compensation plans**: 36%
- **Carbon emissions**: 36%
- **Resource scarcity**: 36%
- **Climate change**: 36%
- **Enhanced voluntary disclosure**: 36%
- **Environmental remediation**: 20%
- **Company stance on social issues**: 12%
- **Human rights**: 6%
- **Corporate political activity**: 6%

Base: 640–653

18. How well do you think your board understands the following as they relate to your company?

- **Talent and corporate culture**: 51%
- **Diversity and inclusion efforts**: 40%
- **Overall ESG strategy**: 40%
- **Data privacy/cybersecurity**: 40%
- **Investor perspectives/priorities**: 27%
- **ESG risks**: 34%
- **External ESG ratings**: 26%
- **ESG opportunities**: 36%
- **Carbon emissions (including distinctions between scope 1, 2, and 3)**: 36%
- **Climate risk/strategy**: 17%
- **Internal controls and processes around ESG data collection**: 16%

Base: 602–651
19. With which of the following statements do you agree about ESG issues? (select all that apply)

- ESG issues are a part of your board’s enterprise risk management discussions: 65%
- ESG issues are linked to the company’s strategy: 57%
- ESG issues are regularly a part of your board’s agenda: 55%
- ESG issues have a financial impact on your company’s performance: 45%
- Oversight of ESG poses capacity challenges to our audit committee: 36%
- Our board needs more reporting on ESG-related matters: 25%
- Our board is sufficiently prepared to oversee forthcoming mandatory ESG disclosure: 25%
- Our board should have a more defined process for ESG oversight: 24%
- Our board has or should have a standing committee dedicated to ESG issues: 11%

Base: 636

20. To what extent do you agree with the following statements regarding climate change and your company’s climate strategy?

- Focus on climate should be a priority for management: 19%
- Focus on climate is overly time- and cost-intensive: 42%
- Our company should be making a net zero commitment: 26%
- Reducing the impact of climate change is a priority even if it impacts short-term financial performance: 13%

Base: 647–651

Executive compensation/talent management

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

- Customer satisfaction: 62%
- Employee engagement and attrition rate: 57%
- Succession planning: 54%
- Diversity and inclusion metrics: 52%
- Quality: 50%
- Safety: 47%
- Environmental goals: 32%
- N/A—compensation should only be tied to financial performance: 8%

Base: 646

22. How challenging are the following areas of talent oversight for your board?

- Succession planning: 34%
- Talent acquisition and retention: 27%
- Corporate culture: 20%
- Pay for performance alignment: 20%
- Right-sizing executive pay: 19%
- Diversity and inclusion efforts: 13%
- Return to office planning/remote or hybrid workforce: 10%
- Right-sizing broader workforce pay: 9%

Base: 642–646
23. How would you characterize the impact of the following trends on your company’s ability to execute its strategy?

<table>
<thead>
<tr>
<th>Trend</th>
<th>Neutral</th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocation of employees to lower-cost areas</td>
<td>42%</td>
<td>51%</td>
<td>7%</td>
</tr>
<tr>
<td>Wage increases</td>
<td>42%</td>
<td>37%</td>
<td>12%</td>
</tr>
<tr>
<td>Remote work/hybrid work schedules</td>
<td>21%</td>
<td>67%</td>
<td>12%</td>
</tr>
<tr>
<td>Changing employee expectations of work-life balance</td>
<td>18%</td>
<td>40%</td>
<td>42%</td>
</tr>
</tbody>
</table>


The broader environment

24. To what extent do you think the following actions could enhance stakeholder trust?

<table>
<thead>
<tr>
<th>Action</th>
<th>Very much</th>
<th>Somewhat</th>
<th>Not very much</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaging directly with shareholders</td>
<td>27%</td>
<td>44%</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td>Enhancing disclosure/reporting</td>
<td>20%</td>
<td>50%</td>
<td>24%</td>
<td>6%</td>
</tr>
<tr>
<td>Increasing board diversity</td>
<td>20%</td>
<td>44%</td>
<td>27%</td>
<td>8%</td>
</tr>
<tr>
<td>Committing to forward-looking environmental goals (e.g., GHG emissions reductions)</td>
<td>13%</td>
<td>40%</td>
<td>31%</td>
<td>16%</td>
</tr>
<tr>
<td>Changing compensation plans to reach greater pay equity</td>
<td>10%</td>
<td>35%</td>
<td>40%</td>
<td>15%</td>
</tr>
<tr>
<td>Increasing transparency regarding corporate political activity</td>
<td>4%</td>
<td>17%</td>
<td>46%</td>
<td>28%</td>
</tr>
<tr>
<td>Clarifying the company’s position on controversial social issues</td>
<td>6%</td>
<td>21%</td>
<td>48%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Base: 640-641

25. How do you think an economic downturn would affect institutional shareholder focus on the following areas?

<table>
<thead>
<tr>
<th>Area</th>
<th>Increased focus</th>
<th>Decreased focus</th>
<th>No change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital allocation</td>
<td>81%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Long-term strategic initiatives</td>
<td>73%</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Short-term stock performance</td>
<td>66%</td>
<td>12%</td>
<td>21%</td>
</tr>
<tr>
<td>Executive compensation</td>
<td>62%</td>
<td>6%</td>
<td>22%</td>
</tr>
<tr>
<td>Talent development</td>
<td>62%</td>
<td>6%</td>
<td>22%</td>
</tr>
<tr>
<td>Board diversity</td>
<td>41%</td>
<td>43%</td>
<td>16%</td>
</tr>
<tr>
<td>Climate risk</td>
<td>43%</td>
<td>61%</td>
<td>34%</td>
</tr>
<tr>
<td>Carbon emissions</td>
<td>5%</td>
<td>61%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Base: 637-640
Demographics

You are:

- Male: 27%
- Female: 73%

Your age is:

- 50 and under: 3%
- 51-60: 19%
- 61-65: 24%
- 66-70: 26%
- 71-75: 20%
- 76 or older: 8%

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

- Less than $500 million: 15%
- $500 million to $1 billion: 16%
- $1 billion to $5 billion: 34%
- $5 billion to $10 billion: 22%
- More than $10 billion: 13%

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 2022, 704 directors participated in our survey. The respondents represent a cross-section of companies from over a dozen industries, 72% of which have annual revenues of more than $1 billion. Seventy-three percent (73%) of the respondents were men and 27% were women. Board tenure varied, but 64% of respondents have served on their board for more than five years.
How PwC can help

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

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