Governance Insights Center

Today's boardroom: confronting the change imperative

PwC's 2023 Annual Corporate Directors Survey

pwc

Introduction

For corporate executives and directors, 2023 should probably have felt calmer than it has, given the events of the last several years. But the ride remains a rocky one. Russia's war on Ukraine persists, exacerbating global tensions and trade conflicts. Extreme weather events have not only strained power grids and forced emergency action but ramped up pressure for companies to accelerate their net-zero timelines. New government regulations carry major ramifications, which are still coming into focus, for corporate strategy and investment. Rapidly evolving AI technologies are disrupting established business models across industries. Stakeholders are looking to corporate leaders to address major social issues, notwithstanding strong disagreement on how those issues should be addressed. **All of this points to the fact that the business community must embrace the need to change. And that change imperative is top of mind in every boardroom.**

For over 15 years, PwC's *Annual Corporate Directors Survey* has taken the pulse of the corporate boardroom. And this year's survey of over 600 public company directors suggests the pace with which directors are evolving to meet these challenges remains slow. Resistance to evolution continues to plague many boards, particularly when it requires self-reflection about their own composition. While it's more important than ever that organizations have the right people in the boardroom to oversee their strategy for today and tomorrow, many directors remain reluctant to take action on board refreshment. And though directors tell us they are ready to handle enhanced disclosures in areas such as sustainability, there is a growing hesitancy when it comes to seeing the link between ESG factors and company strategy and performance.

The news is not all grim, though. Directors' views on shareholder engagement have evolved. Their confidence level in technical topics such as cybersecurity has grown. Strides have been made when it comes to diversifying the boardroom, though it remains a work in progress.

But progress is not a journey with a finish line — and boards still have work to do in responding to the imperative to change. Our hope is that this year's survey will provide the insights and benchmarking that boards need to address this evolution head on. In a time of change for corporations, boards have the opportunity to lead the way, setting the pace for C-suite leaders. This year's survey not only shows where directors may need to confront roadblocks, but also indicates a path forward.

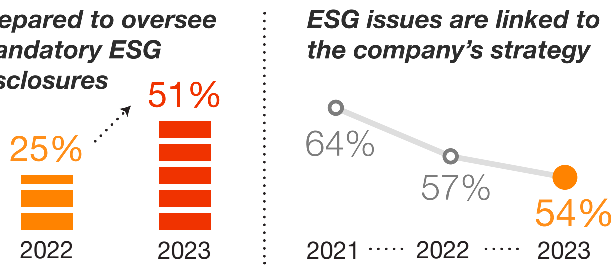
Key findings

Directors are critical of peers yet are not using the board assessment process to drive change

45% of directors think someone on their board should be replaced

Yet, **39%** say their boards have not made any changes as a result of their last board assessment

More directors say they are prepared to oversee ESG disclosure, but only half see the link between ESG and company strategy



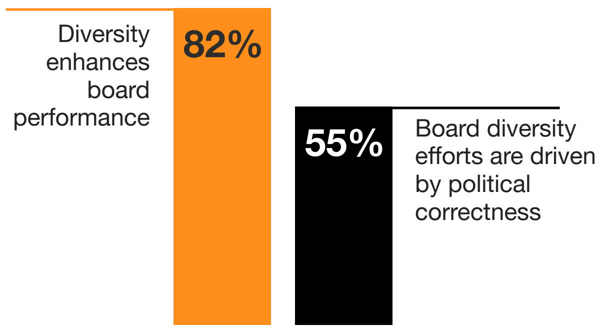
Boards may be overconfident in their crisis preparedness

Despite somewhat incomplete readiness activities, directors are confident in their crisis response abilities

96% of directors are confident their board can guide the company through a crisis

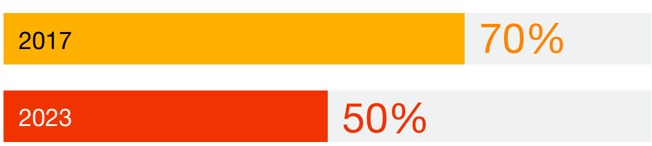
Yet, **48%** say their boards have not created a formal crisis management escalation policy

Directors see the value in board diversity but feel the issue has become politicized



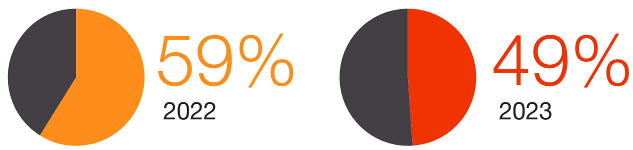
For the moment, sentiment toward levels of executive compensation is improving

Fewer directors feel that executives are overpaid, compared with six years ago



Directors are more cyber confident

Fewer directors see cybersecurity as a significant oversight challenge



Most directors have a positive view of core board practices

More than 8 in 10 directors say their boards have:

- Enough time to prepare for board meetings
- Meaningful discussions in private sessions
- The right committee structure
- Sufficient time allocated to committee work

Boards continue to directly — and productively — engage with shareholders

54% of directors say someone on their board (other than the CEO) engaged with shareholders in the past year

87% say the discussion was productive

Board refreshment

What are directors saying?

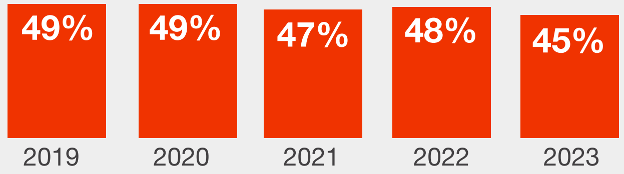
Directors are critical of peers yet are not using the board assessment process to drive change

Over the last five years, directors' criticism of the performance of their peers hasn't necessarily translated into changes in board composition. It seems that the board assessment process, which should identify performance issues, is not being leveraged to its full capabilities. In fact, only 11% of directors say their board's assessment processes resulted in the decision to *not* renominate a director.

What's driving this?

Notwithstanding increased attention on board refreshment, annual rates of turnover in the S&P 500 were approximately 7% in 2023. Rules-based refreshment mechanisms have proven neither particularly effective nor popular. While mandatory retirement age is common, over half of boards set it at 75 or older, and only 8% of S&P 500 companies have adopted term limits for non-executive directors. In our research, directors have pointed to an ineffective assessment process and board leadership's unwillingness to initiate difficult discussions about stepping down as two of the stumbling blocks to board refreshment.

Percentage of directors who think at least one director on their board should be replaced



Yet,

39%

say their boards **have not made any changes** as a result of their last board assessment

Q3. In your opinion, how many directors on your board should be replaced? (select one);
Q7. 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: Q3: 731 (2019); 686 (2020); 841 (2021); 693 (2022); 614 (2023); Q7: 600
Sources: PwC, *Annual Corporate Directors Survey*, 2019-2023.

What's underneath the data?

Board leadership structure may impact assessment actions

Directors on boards with non-executive independent chairs are more likely to say their board made changes as a result of their assessment processes, compared with their peers whose boards have combined CEO/chairs.

Directors who say their boards have taken action as a result of the board assessment process:

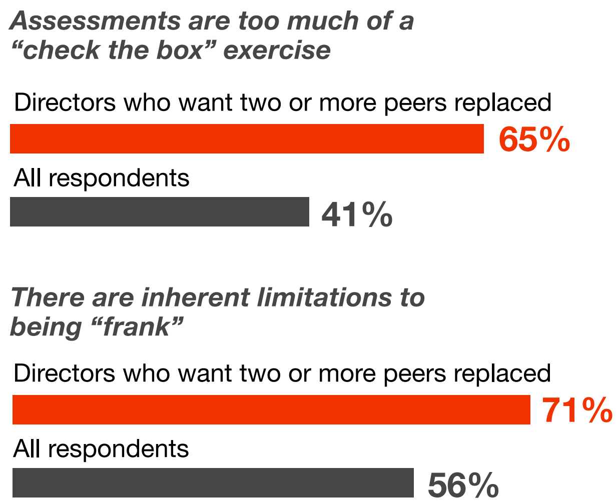
68%
Directors on boards with non-executive independent chairs

56%
Directors on boards with a CEO chair

Q7. 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: 532
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Board assessments are not driving desired turnover

Directors who say two or more of their peers should be replaced are more likely to view the board assessment process negatively.



Q6. Regarding board/committee performance assessments, to what extent do you believe the following?
Base: 600-601
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Year after year, directors tell us that they would like to see more turnover on their boards. This year, 75% of directors express confidence that their boards could effectively remove underperforming directors. Yet refreshment remains a challenge. Not surprisingly, the directors who think their board's assessment processes are ineffective are more likely to desire change:

- 69% of directors who say their board's assessment process is not effective want someone on their board replaced
- 57% want at least two directors on their board replaced

Board actions

- Review your current assessment process. If you are not assessing individual directors, commit to doing so.
- Set or reset expectations on the objective of the assessment, specifically what actions are taken with the results.
- Reaffirm the critical role of the chair or independent lead director in owning difficult conversations that may come out of the feedback.

For more information: Individual director assessments

ESG oversight

What are directors saying?

More directors say they are prepared to oversee ESG disclosure, but only half see the link between ESG and company strategy

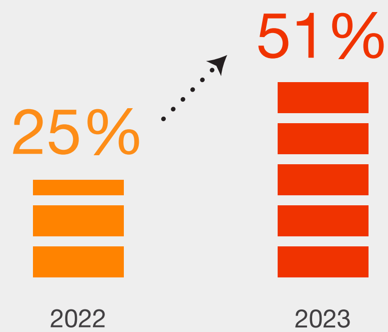
Just over half of directors say their boards are sufficiently prepared to oversee forthcoming mandatory ESG disclosures, up from 25% in 2022. But ever fewer directors feel that ESG issues are linked to strategy.

What's driving this?

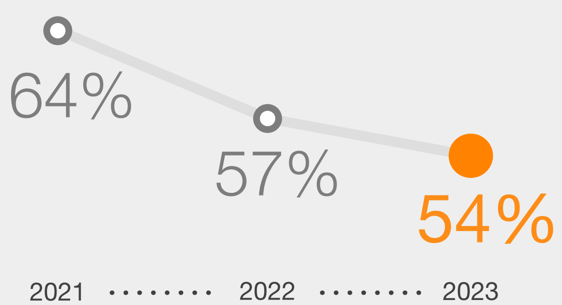
The impact of any given ESG topic on a company varies greatly by size, geographic footprint, industry and more. But the risks and opportunities are real, and directors play a key role in challenging management to think creatively about strategic alternatives and opportunities available after prioritizing which topics are linked to the company's strategy. At the same time, some stakeholders (state governments, investors and activists) have pushed back on the perceived ESG "agenda." In 2023, 21 state attorneys general sent letters to a handful of investors citing concerns about the weight placed on ESG factors in proxy voting at annual meetings. It's easy to lose the connection to strategy when viewing ESG as an agenda on a discrete set of topics instead of a way to understand emerging market forces.

It's also worth noting that since we fielded this survey in the spring of 2023, even the term "ESG" has been scrutinized, with a move toward using the term sustainability.

Percentage of directors who say their board is prepared to oversee mandatory ESG disclosures



Percentage of directors who say ESG issues are linked to the company's strategy



Q21. With which of the following statements do you agree about ESG issues? (select all that apply)
Base: 788 (2021); 636 (2022); 531 (2023)
Sources: PwC, *2021 Annual Corporate Directors Survey,* October 2021; PwC, *2022 Annual Corporate Directors Survey*, October 2022; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What's underneath the data?

Directors say their boards are discussing climate change somewhat less

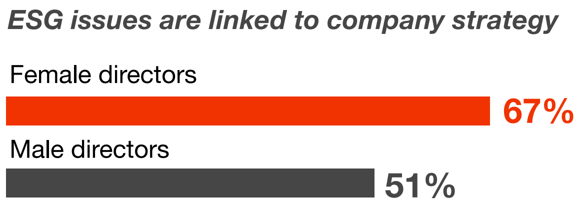
Given global regulators and others' increasing focus on climate change, we would have expected more board discussion year over year.

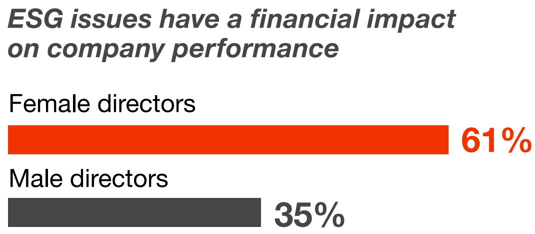
Our board has discussed climate change in the past 12 months

Q19. In the last 12 months, to what extent has your board discussed the following ESG issues? Responses: Substantially and somewhat
Base: 649 (2022); 555 (2023)
Sources: PwC, *2022 Annual Corporate Directors Survey,* October 2022; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Gender disconnect on ESG issues

Female directors are more likely to see ESG issues as linked to company strategy and having a financial impact on company performance.





Q21. With which of the following statements do you agree about ESG issues? (select all that apply)
Base: 514
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Directors may be weary of discussing ESG, an often-poorly defined catchall category, but regulatory disclosure readiness will only grow in importance. And despite directors' increasing confidence when it comes to oversight of mandatory disclosures, many tell us they don't understand key risks. In particular:

- 40% say their board does not understand carbon emissions very well or at all
- 37% say their board does not understand climate risk/strategy very well or at all

Many companies have some disclosure processes and controls in place; however, directors should understand exactly where the company is. And since one-third (34%) of directors acknowledge not understanding the internal controls and processes that support ESG data collection very well or at all, reviewing how management gains confidence in that data could be helpful.

Board actions

- Look for sustainability on your board's agenda, including broader "S" and "G" issues. Discuss whether the allocation of responsibility between the full board and committees is appropriate.
- Allocate time at every meeting (full board and/or committee) as well as time at the annual strategy session to understand sustainability risks and opportunities.
- Know who on the management team is overseeing both opportunity and risk in this area — make sure you are hearing from them and receiving regular, decision-useful information.

For more information: ESG oversight: The corporate director's guide

Crisis management

What are directors saying?

Boards may be overconfident in their crisis preparedness

Despite nearly every director surveyed telling us they think their board is prepared to guide the company through a crisis, 70% say they haven't participated in a tabletop exercise, 48% haven't agreed upon a written escalation plan and 32% haven't defined board leadership's role in a crisis.

What's driving this?

The last few years have renewed boards' focus on crisis management and resiliency. You may be thinking that weathering a pandemic and global upheaval has steeled leaders for the next crisis. But it is key actions such as performing an effective post-crisis review, focusing on continuous improvement and having a robust plan in place that position a company to come out ahead next time. Crisis response is a process that should evolve through iteration and exercise; opportunities for learning should be the norm and expected by both management teams and boards.

96% of directors are confident their board can guide the company through a crisis

Yet, 70% have not participated in tabletop exercises

48% have not created a crisis management escalation policy

Q25. How confident are you in your board's ability to effectively: Responses: Very much and somewhat; Q16. With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial fraud allegations), has your board done any of the following?
Base: 550; 571-576
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

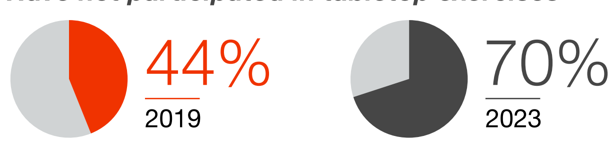
What's underneath the data?

Slippage with crisis management protocols

Even after the tumultuous last several years, fewer directors tell us their boards have taken foundational crisis management planning steps compared with a few years ago.

Have not created a written escalation policy

Have not participated in tabletop exercises

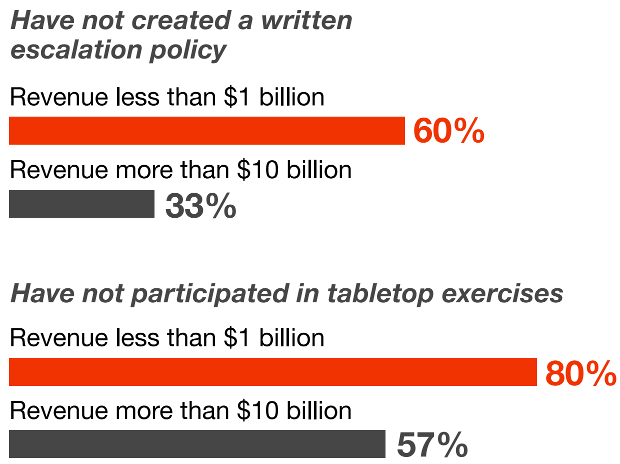


Have not discussed regulatory/enforcement agency contact protocols

Q16. With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial fraud allegations), has your board done any of the following?
Base: 267-472 (2019); 571-579 (2023)
Sources: PwC, *2019 Annual Corporate Directors Survey*, October 2019; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Smaller companies may be less prepared for a crisis

Directors at smaller companies say their board is less likely to have taken key crisis response preparation steps.



Q16. With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial fraud allegations), has your board done any of the following?
Base: 252-254
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

After navigating a series of major global health and geopolitical crises, it would be surprising if management teams weren't more prepared than they were four years ago. There will undoubtedly be future crises, and the next one might be even more disruptive. Boards should not conflate the number of board discussions on these issues with assurance that everything is covered for the future. Crisis preparedness is a continuous process, not a one-time exercise. A tabletop exercise is a critical component of any company's crisis response readiness, so it may be time to revisit the plan.

Board actions

- Make crisis response part of the annual strategy session. Devote time to understanding management's plan and escalation process.
- Review how frequently, if at all, management performs a periodic tabletop exercise and reports out on results to the board. Consider advocating for board members to observe or participate in the exercise.

For more information: Being prepared for the next crisis: The board's role

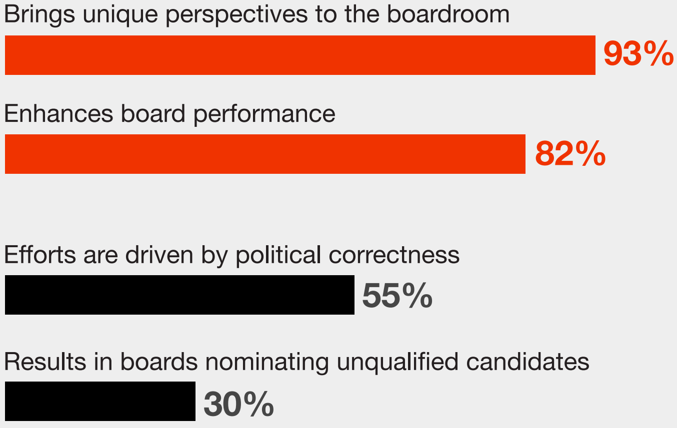
Board diversity

What are directors saying?

Directors see the value in board diversity but feel the issue has become politicized

While most directors agree that diversity brings unique perspectives and enhances board performance, more than half believe that diversity efforts are driven by political correctness; about one-third suggest that diversity efforts put less-qualified candidates on the board.

Percentage of directors who agree with the following statements about board diversity



Q4. To what extent do you agree with the following statements about board diversity?
Responses: Strongly agree and somewhat agree
Base: 613-615
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What's driving this?

Numerous studies link board diversity with positive business outcomes. Proxy advisors and institutional investors are aligning their recommendations and votes to support diversity and result in consequences when it is lacking. Efforts have paid off: nearly two-thirds of the 2023 incoming class of directors in the S&P 500 were from diverse groups. But with turnover low, equity has still not been achieved.

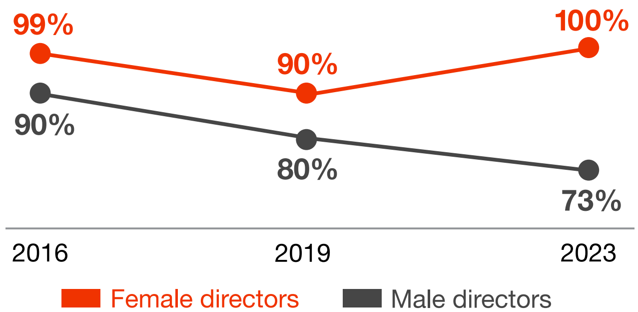
It's unclear how to assess directors' impressions that diversity efforts result in unqualified candidates on the board. Lack of board experience in new candidates may be a key factor contributing to this view: nearly one-third of the S&P 500's 2023 new director class were first-time public board members.

What's underneath the data?

The gender divide on the importance and impact of board diversity deepens

While every surveyed female director now views gender diversity as important for boards, a record-low percentage of male directors agree.

Directors who agree that gender diversity is an important attribute on their board:



Q1. How would you describe the importance of the following skills, competencies or attributes on your board?: Gender diversity; Responses: Very important and somewhat important
Base: 811 (2016); 691 (2019); 548 (2023)
Sources: PwC, *2016 Annual Corporate Directors Survey*, October 2016; PwC, *2019 Annual Corporate Directors Survey*, October 2019; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Similarly, the percentage of male directors who think board diversity enhances board performance was a record-low 76% (down from 85% in 2019).

Male directors who agree that board diversity enhances board performance:

Q4. To what extent do you agree with the following statements about board diversity? Responses: Strongly agree and somewhat agree
Base: 553 (2019); 393 (2023)
Sources: PwC, *2019 Annual Corporate Directors Survey*, October 2019; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Our survey shows that boards generally agree on the benefits of having a diverse set of directors. Many have taken action in recent years to demonstrate this belief. Specifically, over the last two years:

- 71% of directors say their companies disclosed information about board diversity in proxy statements
- 66% say their boards replaced a retiring director with one who increases the board's diversity

While boards have made strides to increase diversity, there's still room for improvement. Specifically, directors should seek a diverse slate of candidates when interviewing for a new position and be proactive in board succession planning; only 15% of directors tell us they amended/modified their board's succession plan to ensure increased diversity in the future.

Board actions

- Expand the pool of potential director candidates — include sitting executives in roles beyond CEO and CFO.
- Formalizing an onboarding and mentorship program for new directors can be particularly helpful for those serving on their first board, offering opportunities for tenured directors to provide guidance and perspective.

For more information: You Say You Want a More Diverse Board. Here's How to Make It Happen.

Executive compensation

What are directors saying?

For the moment, sentiment toward levels of executive compensation is improving
Fewer directors feel that executives are overpaid, compared with six years ago.

What's driving this?

Companies seem to be getting better at connecting executive pay to performance outcomes. Shareholder support for executive compensation increased during the 2023 proxy season. This suggests that companies may be figuring out the balance between compensation program design and shareholder expectations.

Demands for transparency may also be giving more comfort and insight to stakeholders. The pay versus performance disclosures that first appeared in 2023 proxy statements require companies to be more transparent about executive pay. Specifically, executive compensation has to be compared to the company's financial performance. While management is responsible for creating the disclosure, it is based on objectives and metrics set by the compensation committee. Going forward, compensation discussions will need to include visibility into the most important metrics that will be listed in the proxy and how various performance scenarios will impact compensation actually paid.

Executives are overpaid

Q24. To what extent do you agree with the following regarding executive pay in the US?
Base: 820 (2017); 545 (2023)
Sources: PwC, *2017 Annual Corporate Directors Survey*, October 2017; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What's underneath the data?

Fewer directors link executive pay to income inequality
Since we last asked directors their thoughts on executive pay and income inequality in 2017, sentiment has grown favorably.

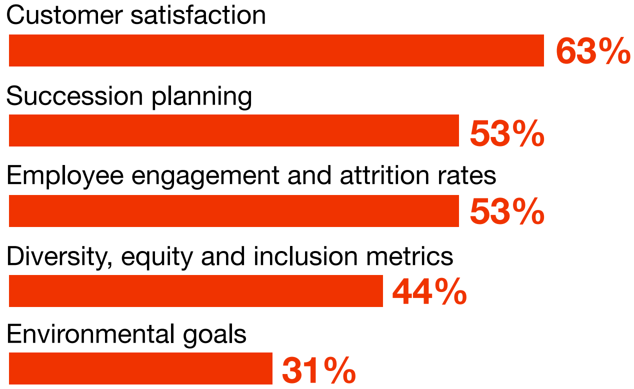
Executive pay exacerbates income inequality

Q24. To what extent do you agree with the following regarding executive pay in the US? Responses: Very much and somewhat
Base: 816 (2017); 542 (2023)
Sources: PwC, *2017 Annual Corporate Directors Survey*, October 2017; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Directors lean toward historical non-financial metrics for executive pay

While tying executive compensation to ESG goals (e.g., diversity, equity and inclusion, environmental) may be getting attention from investors and other stakeholders, directors cite areas such as customer satisfaction and succession planning as metrics that should be included in executive compensation plans.

The following metrics should be included in executive compensation plans:



Q23. Which of the following non-financial metrics do you think should be included in executive compensation plans? (select all that apply)
Base: 547
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Generally, executive pay is largely based on company performance; however, a portion is based on a variety of other non-financial metrics. While being mindful of incentivizing the wrong behaviors or setting targets that are unrealistic or simplistic, ask whether compensation is reinforcing or undermining the company's stated values.

No matter what metrics are used, directors must be knowledgeable about the structure of executive pay packages. Pay for performance disclosures provide more insight than ever into how executive pay is tied to company performance — and can garner attention when there is a mismatch. Directors will be held accountable for the disclosure by shareholders, either through "say-on-pay" votes or voting on the directors themselves.

Board actions

- Understand your company's pay for performance disclosure — and ask questions.
- Understand what compensation is based on — does it make sense, and does it align with strategy? Importantly, how does compensation support company culture?
- Understand how people are motivated and how compensation fits into the picture. Compensation can motivate the right behavior and avoid incentivizing the wrong behavior.
- Understand how management engages with shareholders to provide transparency into compensation structure.

For more information: Serving on – and chairing – the compensation committee

Cyber oversight

What are directors saying?

Directors are more cyber confident

The percentage of directors who feel cybersecurity oversight is a significant oversight challenge for their boards went down from 59% in 2022 to 49% in 2023.

What's driving this?

In the wake of focus from regulators and other stakeholders, boards and management teams have been stepping up the frequency and depth of cybersecurity-related discussions and disclosures. Specifically, in July 2023, the SEC adopted amendments intended to enhance and standardize disclosures related to cybersecurity. The amendments require timely disclosure of material cybersecurity incidents and annual disclosures related to cybersecurity risk management, strategy and governance.

A significant percentage of directors tell us their boards have taken actions in the past year related to cybersecurity.

Fewer directors see cybersecurity as a significant oversight challenge

Q14. Which of the following risks pose a significant oversight challenge to your board? (select all that apply)
Base: 645 (2022); 545 (2023)
Sources: PwC, 2022 *Annual Corporate Directors Survey*, October 2022; PwC, 2023 *Annual Corporate Directors Survey*, October 2023.

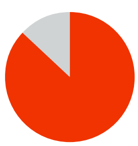
Actions taken by directors in the past year related to cybersecurity:

Q17. Within the last 12 months, has your board taken any of the following actions related to cybersecurity? (select all that apply)
Base: 487
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What's underneath the data?

Directors give management's cybersecurity reporting high marks

When asked how effective management's pre-read materials and presentations are related to cybersecurity, the majority of directors say they are effective.



87%

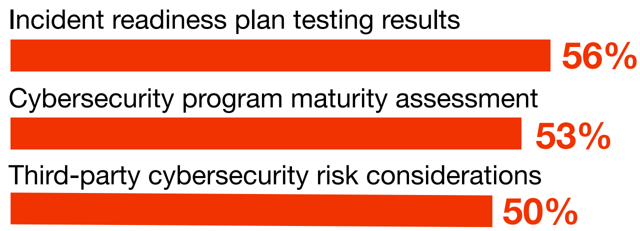
of directors think management's pre-read materials and presentations for cybersecurity are effective

Q12. How effective are management's pre-read materials and presentations concerning the following topics? Responses: Very effective and somewhat effective
Base: 594
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

But is the board getting all the information it needs to oversee cyber?

The SEC's July 2023 cybersecurity disclosure rules require information on both management and the board's cyber oversight. For several topics, only roughly half of directors noted they were receiving information related to the area — indicating a gap and an opportunity for management.

Percentage of directors that indicate they receive the following information from management:



Q18. Which of the following information related to cybersecurity does your board receive? (select all that apply)
Base: 536
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Is the growing confidence in cybersecurity readiness attributable to boards refining their oversight practices? We're seeing cybersecurity as a more frequent agenda item, now most commonly being discussed at every meeting. Hearing more from CISOs and having more agenda time is certainly a step in the right direction.

Reporting, though, both in pre-read materials and in the boardroom, needs to be insightful and concise, and management needs to provide the board with the information necessary to disclose oversight processes in coming SEC Form 10-K filings. While the final SEC cybersecurity disclosure rules do not require naming directors with cyber expertise, board education is important for overseeing this discrete risk. Approaches can vary based on the company, industry and risk profile, but many are taking a comprehensive approach, including upskilling directors, hiring a third-party advisor and meeting more frequently with the CISO.

Board actions

- Understand the breach escalation and reporting process. Understand how dots are connected across the organization — from information security to legal to finance and beyond.
- Make sure your knowledge, skills and awareness keep pace with your confidence. Seek upskilling and bring in experts who live cybersecurity daily to provide an independent point of view.

For more information: Overseeing cyber risk: the board's role

Board effectiveness

What are directors saying?

Most directors have a positive view of core board practices

Directors feel they have sufficient time to prepare for meetings and for committee responsibilities.

What's driving this?

Directors face high expectations from shareholders and others regarding their performance. But boards meet a limited number of times each year, and their agendas are increasingly crowded; efficiency is critical. Given the workload of most boards these days, they have become increasingly proactive when it comes to thinking of ways to streamline materials, meeting agendas and more.

More than 8 in 10 directors say their boards have:

- 94% Enough time to prepare for board meetings
- 88% Meaningful discussions in private sessions
- 88% The right committee structure
- 85% Sufficient time allocated to committee work

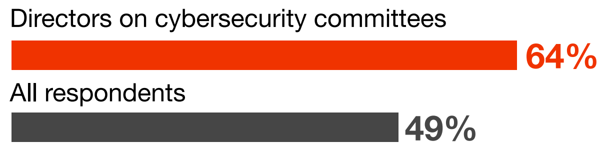
Q10. With which of the following statements do you agree? (select all that apply)
Base: 603
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What's underneath the data?

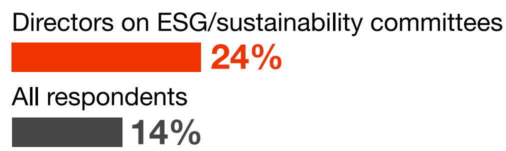
Those closest to overseeing the risk feel the challenge more

Directors on committees that oversee specific key risks, such as cybersecurity and social/environmental, are more likely to think those topics pose significant oversight challenges than directors overall.

Cybersecurity risks pose significant oversight challenges



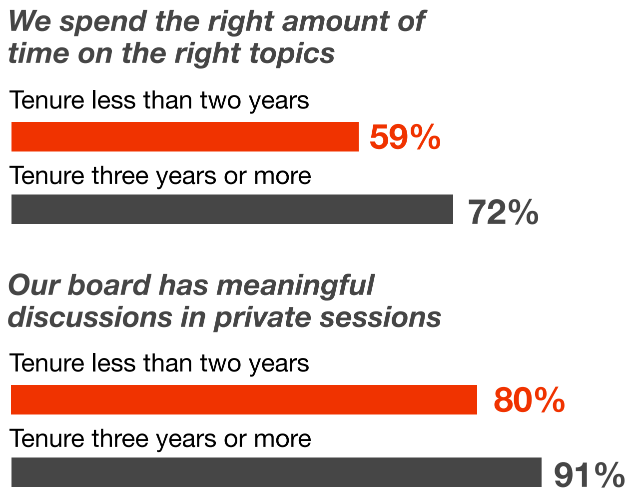
Social and environmental risks pose significant oversight challenges



Q14. Which of the following risks pose a significant oversight challenge to your board? (select all that apply)
Base: 545
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Shorter-tenured directors are less comfortable with time allocation and executive sessions

Directors who are newer to their board (less than two years' tenure) see more room for improvement when it comes to certain board practices.



Q10. With which of the following statements do you agree? (select all that apply)
Base: 547
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

What should directors do? — a PwC perspective

Although the data are promising, the picture of current board practices isn't entirely rosy. Over time, even effective boards can fall into operational ruts, and all boards can benefit from regularly scrutinizing their own governance practices. Both new and long-tenured directors see room for improvement in some areas:

- 37% think they don't get enough director education opportunities
- 35% suggest that their board falls short in developing relationships with management outside the boardroom

As the board's regular agenda expands to include oversight of complex topics such as climate change, digital transformation and cybersecurity, continuing education is critical. And being outside day-to-day operations can make it challenging for directors to get to know management's bench strength on these topics.

Board actions

- Cultivate relationships with the management team supporting directors; invite them to present or to join the board for broader social events outside of formal board meetings.
- Revisit committee read-outs — provide committee chairs with sufficient time to report on critical matters.
- Build in education sessions to board agendas. Have management take the lead in identifying programs that could be beneficial to directors' ongoing development.

For more information: Taking board governance from good to great: now is the time to act

Shareholder engagement

What are directors saying?

Boards continue to directly — and productively — engage with shareholders
Directors are regularly engaging with shareholders and the vast majority consider those interactions “productive.”

54% of directors say someone on their board (other than the CEO) engaged with shareholders in past year

87% **say the discussion was productive**

Q13a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?; Q13d. Do you agree with the following characterizations of shareholder engagement?
Base: 592; 293
Source: PwC, *2023 Annual Corporate Directors Survey,* October 2023.

What’s driving this?

Shareholder engagement is important because it allows shareholders to express concerns about the company and hear directors’ perspectives; they can test the rigor of the board’s oversight and gain insight into the company’s strategic plan. For their part, directors can learn about shareholders’ priorities and concerns.

What’s underneath the data?

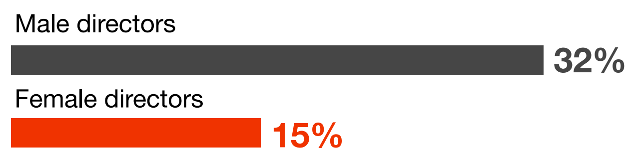
Larger company boards are engaging somewhat less this year
There was a slight decline from 2022 in the percentage of directors overall who say someone on their board has recently engaged directly with shareholders, but the decrease among the largest companies was most pronounced.

Directors on boards with revenue greater than $10 billion who say someone on the board engaged with shareholders in past year

Q13a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?
Base: 142 (2022); 110 (2023)
Sources: PwC, *2022 Annual Corporate Directors Survey*, October 2022; PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Gender divide on the benefits of shareholder engagement
Male directors were more than twice (32%) as likely to say that shareholder discussions were perfunctory compared to female directors (15%).

Shareholder engagement discussions were perfunctory



Q13d. Do you agree with the following characterizations of shareholder engagement?
Base: 262
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

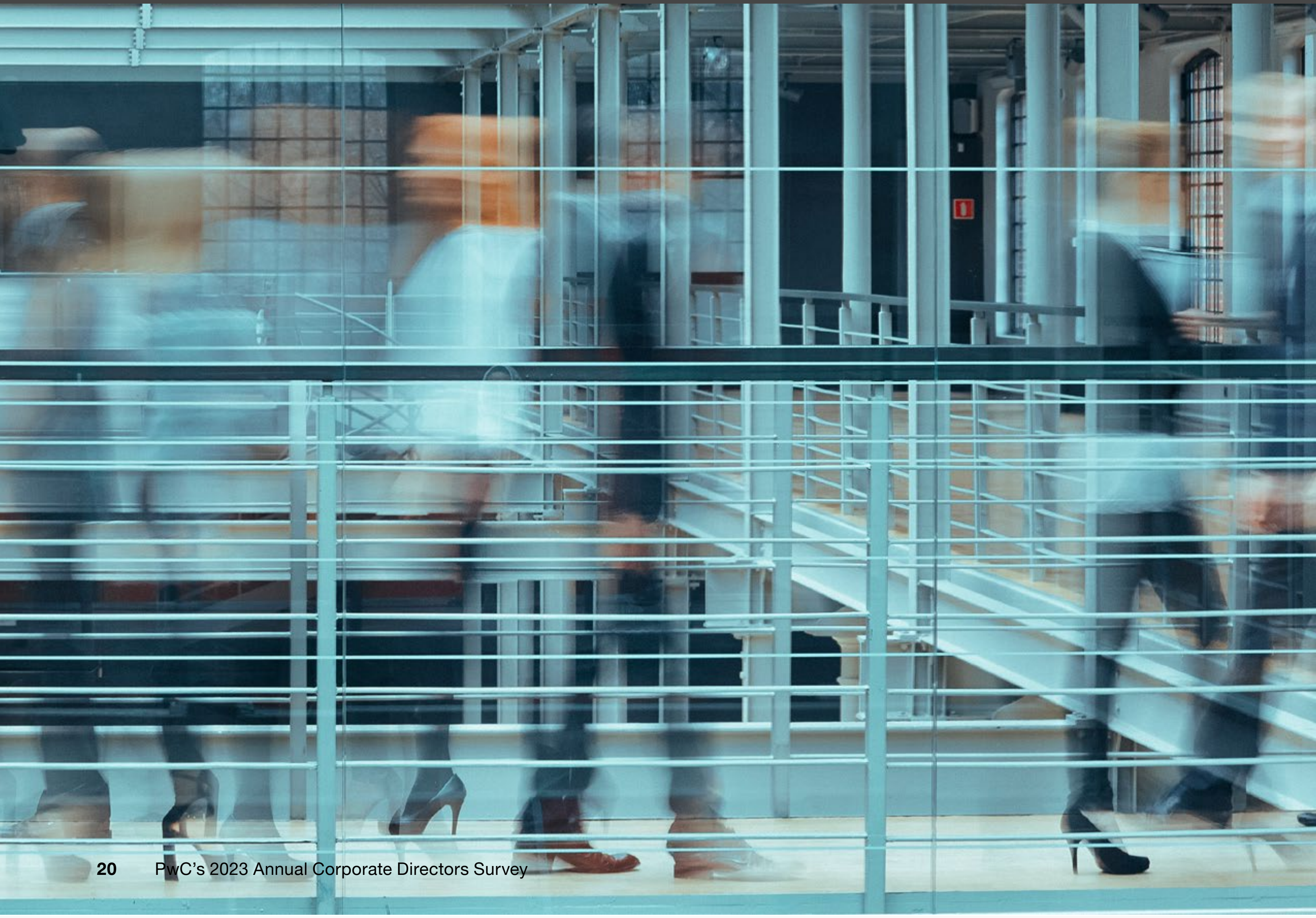
What should directors do? — a PwC perspective

Does the board understand the management team's shareholder engagement strategy? More importantly, does the board understand how it fits into that strategy? Directors should select at least one among themselves to be "camera-ready" for meeting with investors and others. As part of that process, directors should be familiar with who the top shareholders are, their engagement priorities and history of engagement with the company. Get briefed on any action items that have come out of recent shareholder meetings. If the board hasn't been asked to engage with shareholders, ask why.

Board actions

- Understand the company's shareholder engagement strategy — with whom are they proactively speaking? Reactively? What are the key topics raised and how do these conversations result in action?
- Have one director "camera-ready" to represent the board with investors. This goes for business-as-usual times and times of crises.

For more information: Director-shareholder engagement: getting it right

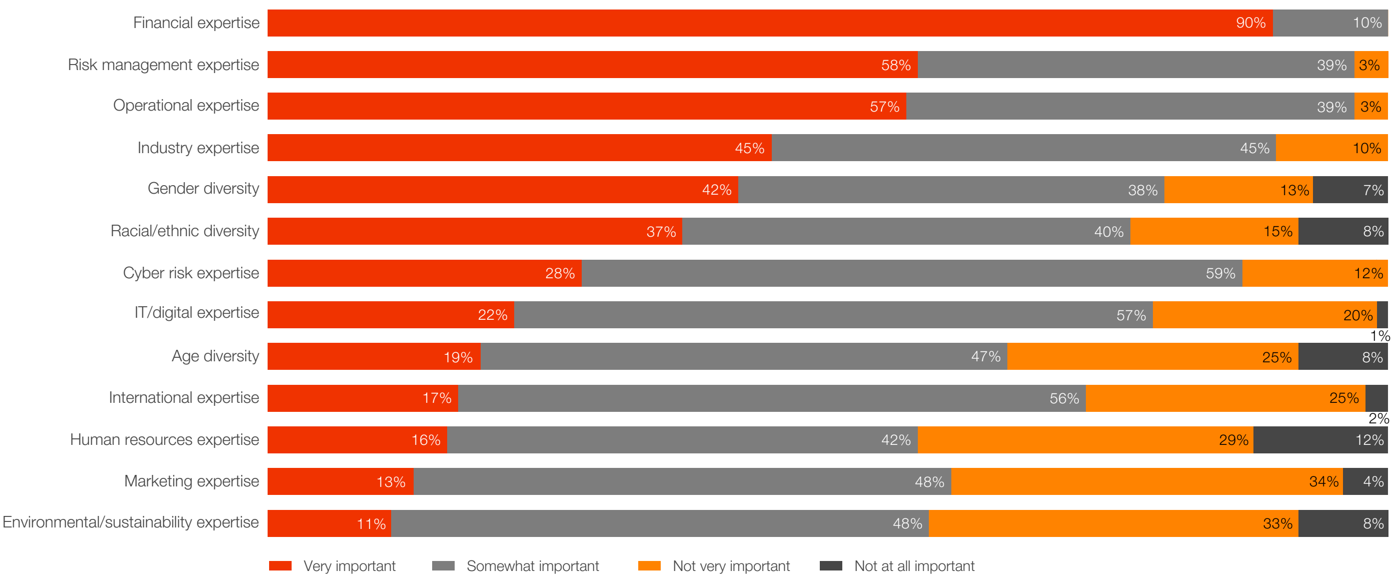


Complete survey findings

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

Board composition and diversity

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



Base: 611-616
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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

17% Reluctant to challenge management

15% Oversteps the boundaries of his/her oversight role

12% Interaction style negatively impacts board dynamics (e.g., style/culture/fit)

12% Advanced age has led to diminished performance

10% Lacks appropriate skills/expertise

9% Board service largely driven by director fees

7% Serves on too many boards

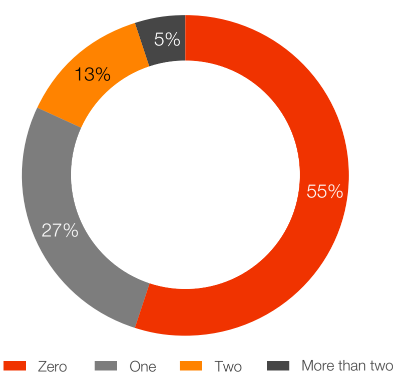
6% Consistently unprepared for meetings

5% Unqualified to serve on the board

52% None of the above apply

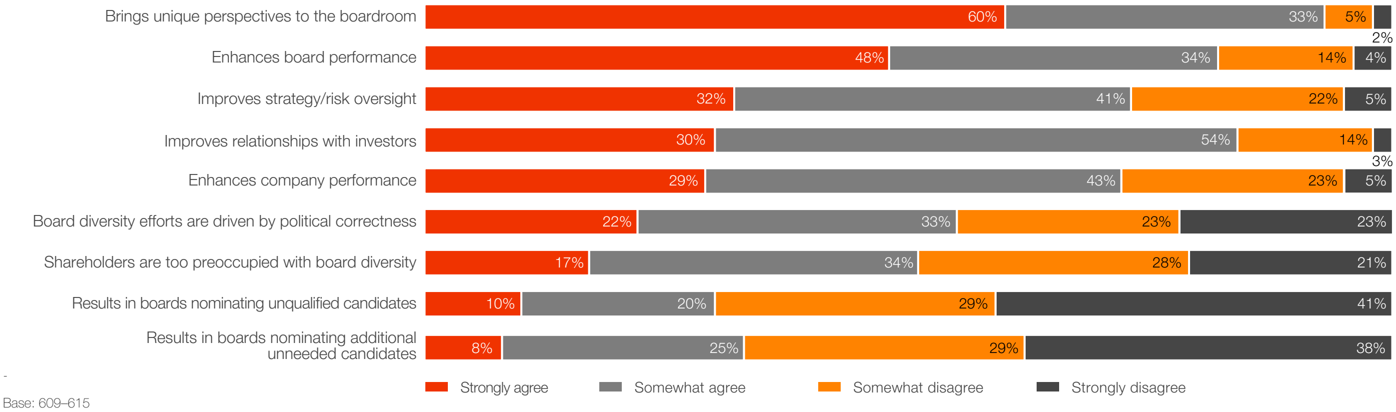
Base: 607
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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



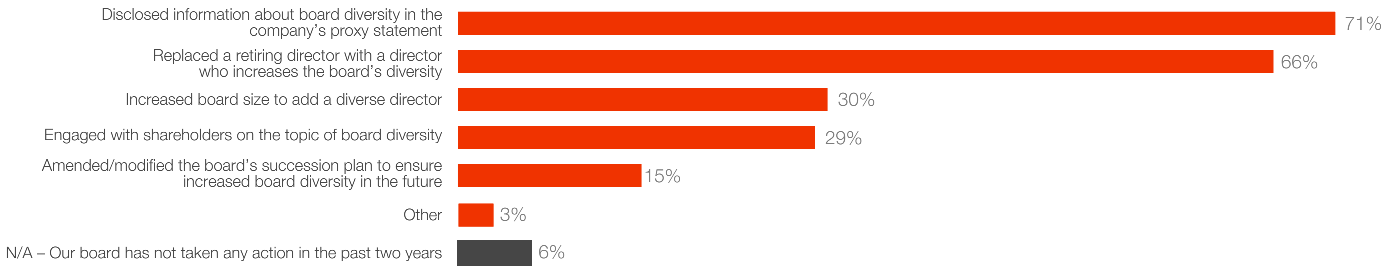
Base: 614
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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



Base: 609–615
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

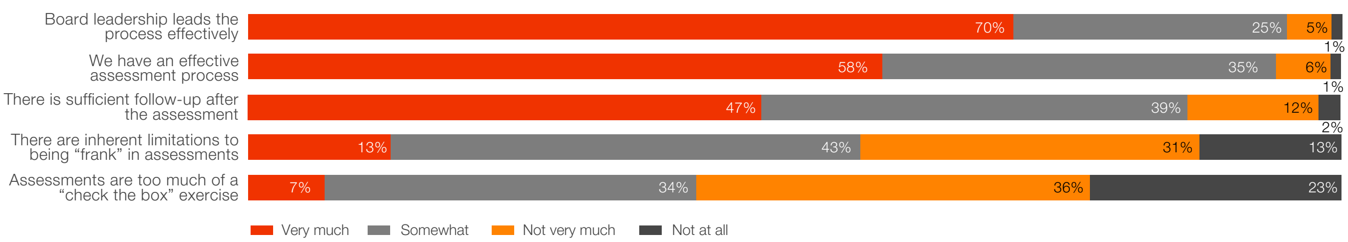
5. Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)



Base: 616
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

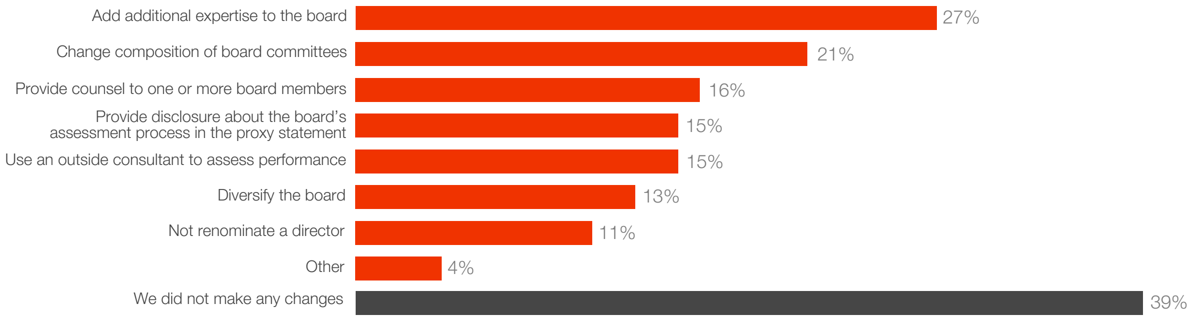
Board practices

6. Regarding board/committee performance assessments, to what extent do you believe the following?



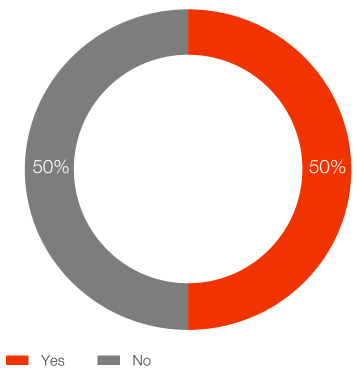
Base: 600–602
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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)



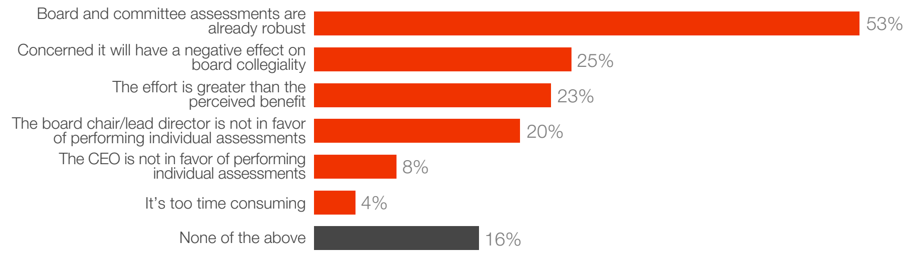
Base: 600
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

8a. Does your board currently assess the performance of individual directors?



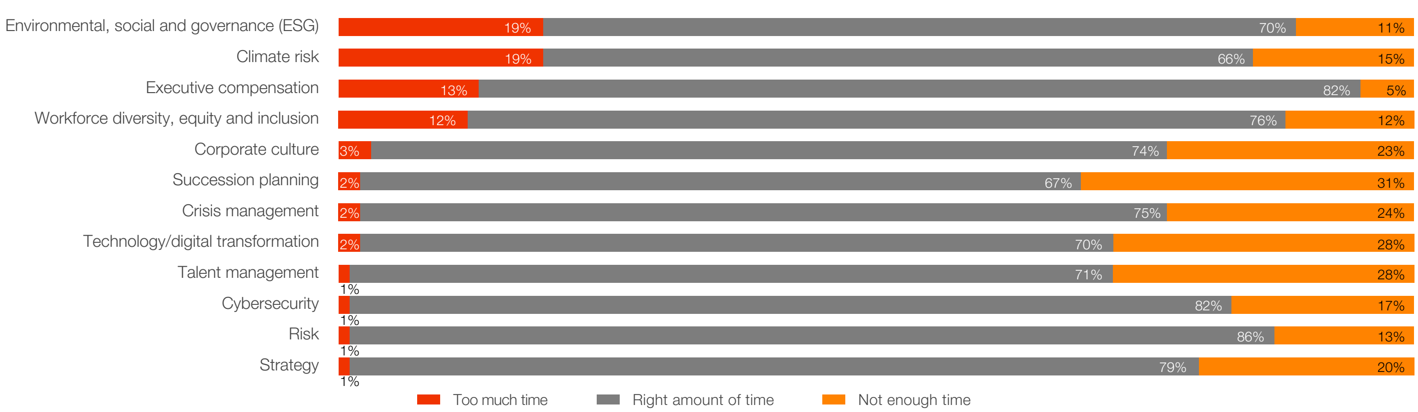
Base: 601
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

8b. Which of the following factors (if any) are driving that decision? (select all that apply)



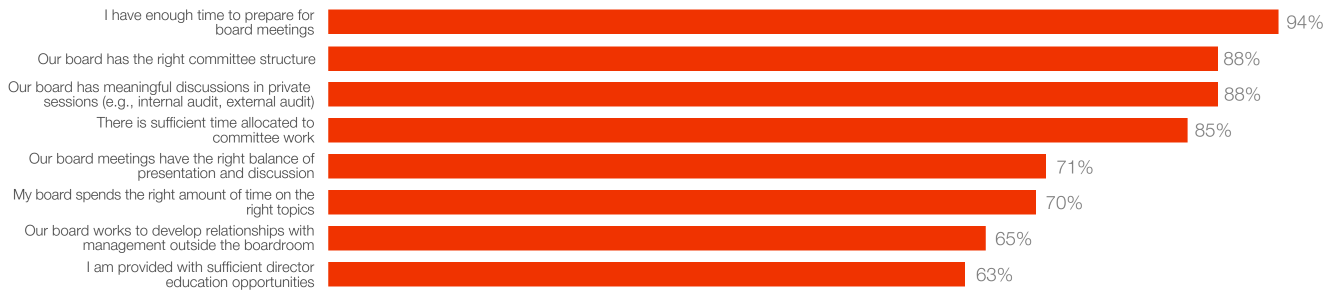
Base: 317
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

9. How would you describe the amount of time your board spends in the following areas?



Base: 600–605
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

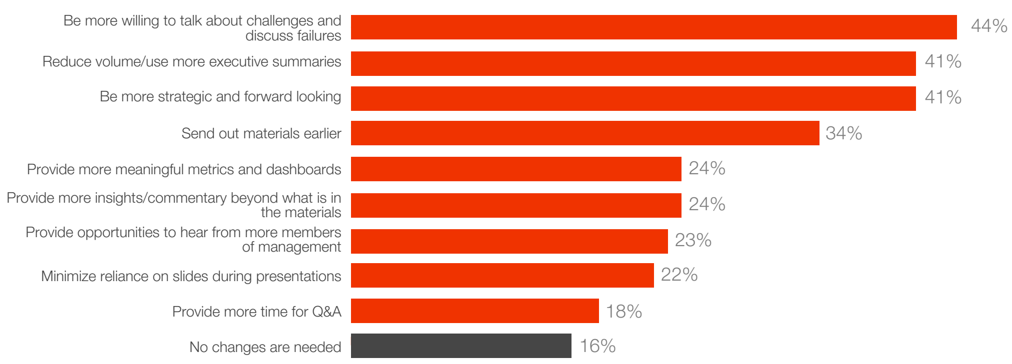
10. With which of the following statements do you agree? (select all that apply)



Base: 603
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

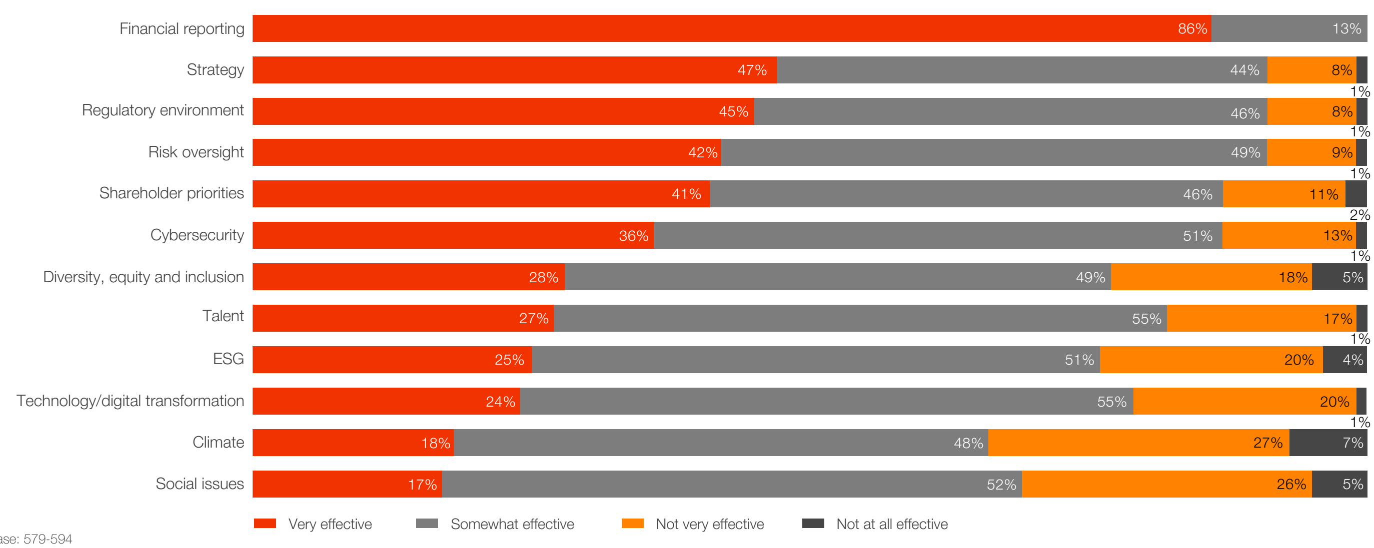
Management reporting

11. Which of the following changes would you like to see management make to their board presentations/materials? (select all that apply)



Base: 595
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

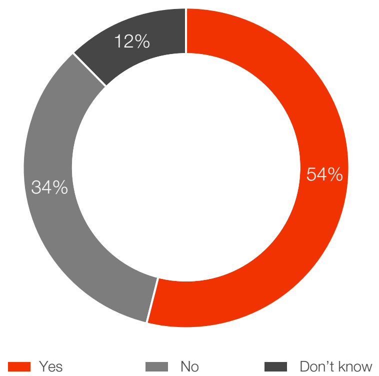
12. How effective are management's pre-read materials and presentations concerning the following topics?



Base: 579-594
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

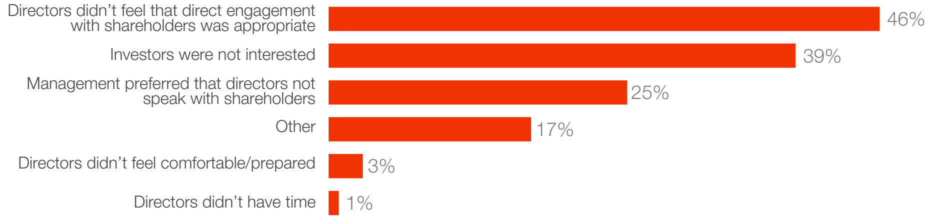
Shareholder communication

13a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?



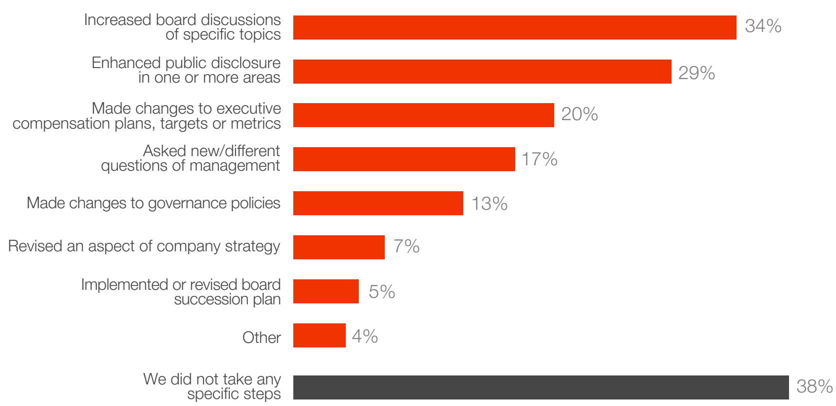
Base: 592
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

13b. Why were directors (other than the CEO) not involved in direct engagement with investors? (select all that apply)



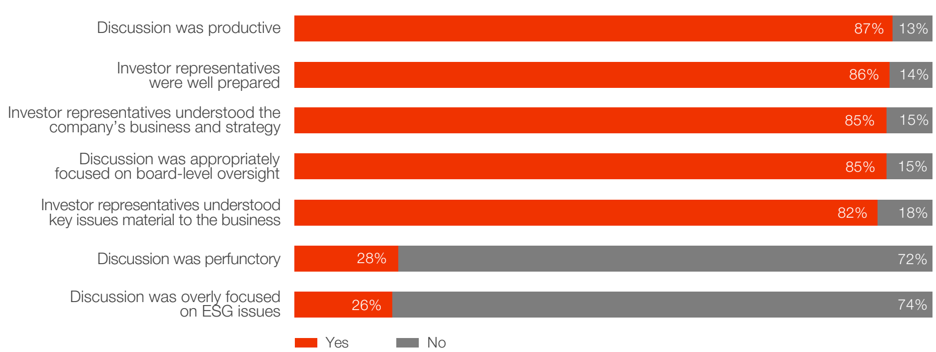
Base: 211
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

13c. Which of the following steps did your board take as a result of that engagement? (select all that apply)



Base: 319
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

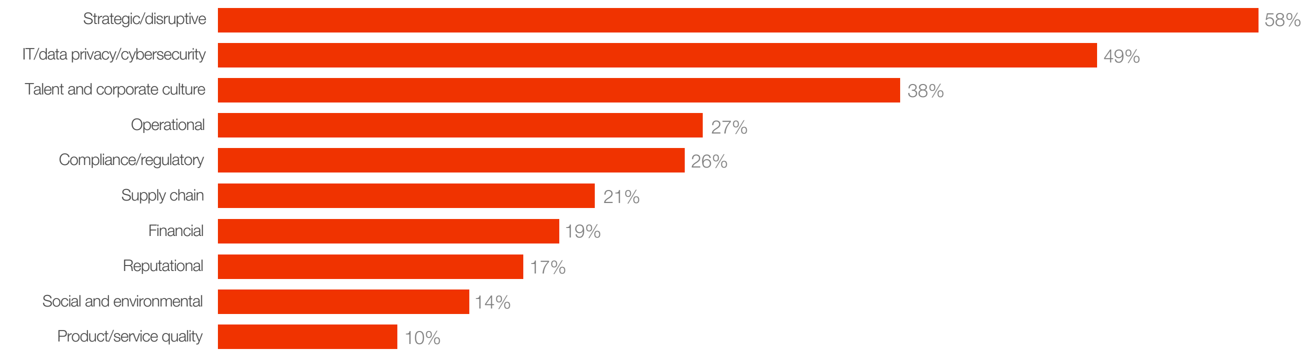
13d. Do you agree with the following characterizations of that shareholder engagement?



Base: 287–294
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

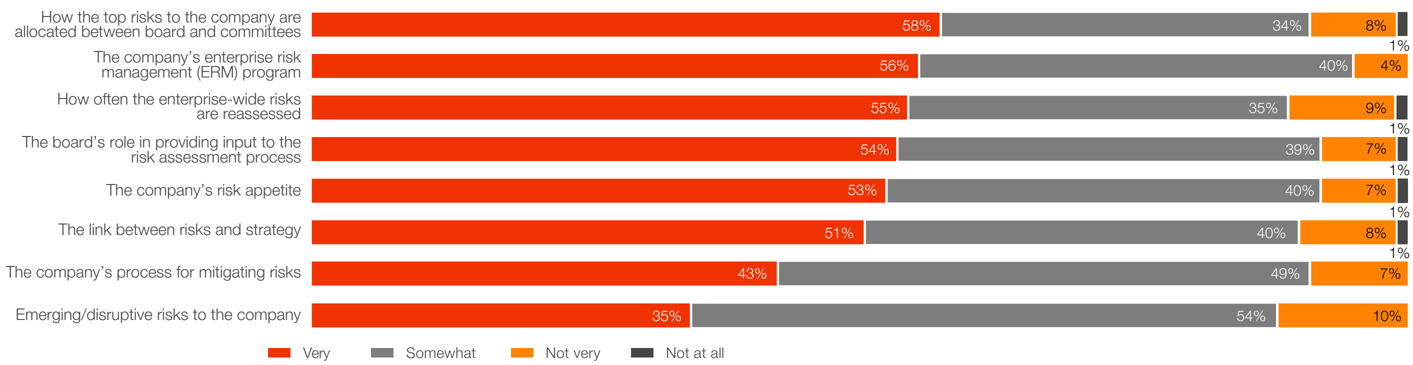
Strategy/risk

14. Which of the following risks pose significant oversight challenges to your board? (select all that apply)



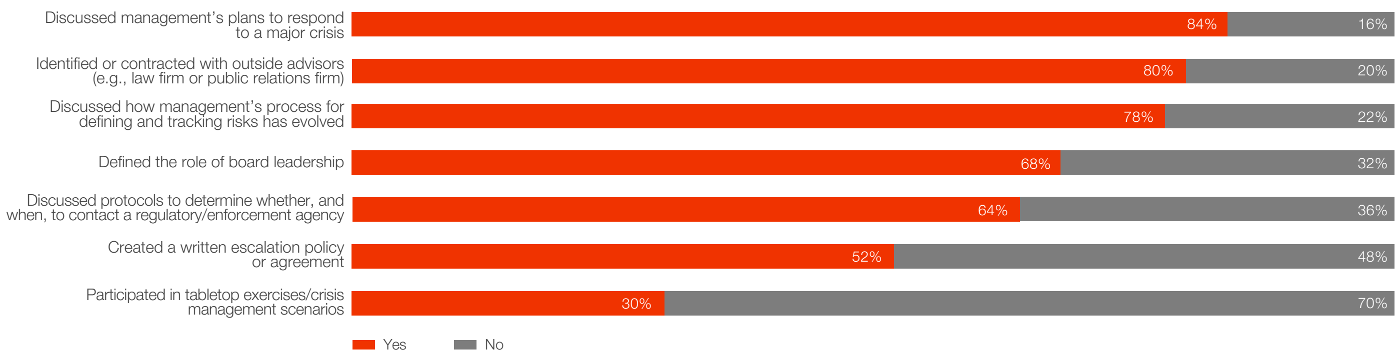
Base: 545
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

15. How comfortable are you that your board understands the following?



Base: 583–586
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

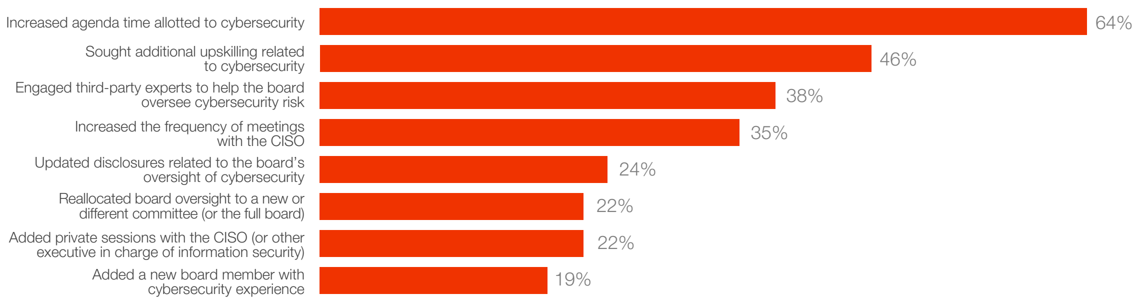
16. With regard to crisis management oversight (e.g., cyberattack, natural disaster, financial fraud allegations), has your board done any of the following?



Base: 571–583
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

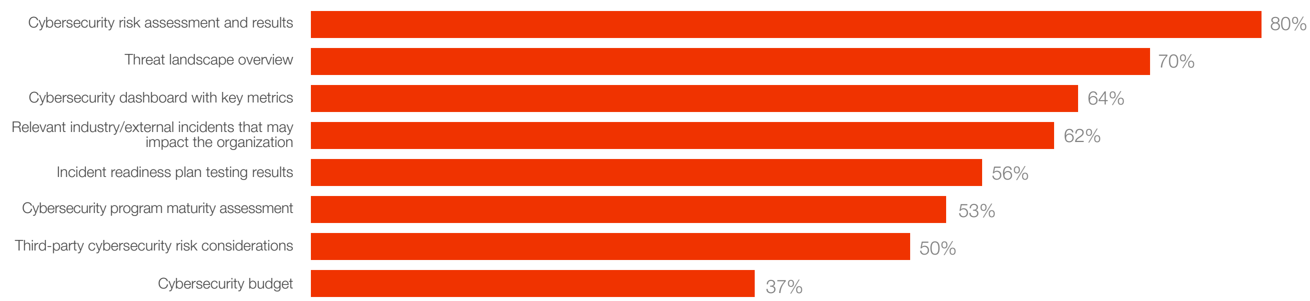
Cybersecurity

17. Within the last 12 months, has your board taken any of the following actions related to cybersecurity? (select all that apply)



Base: 487
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

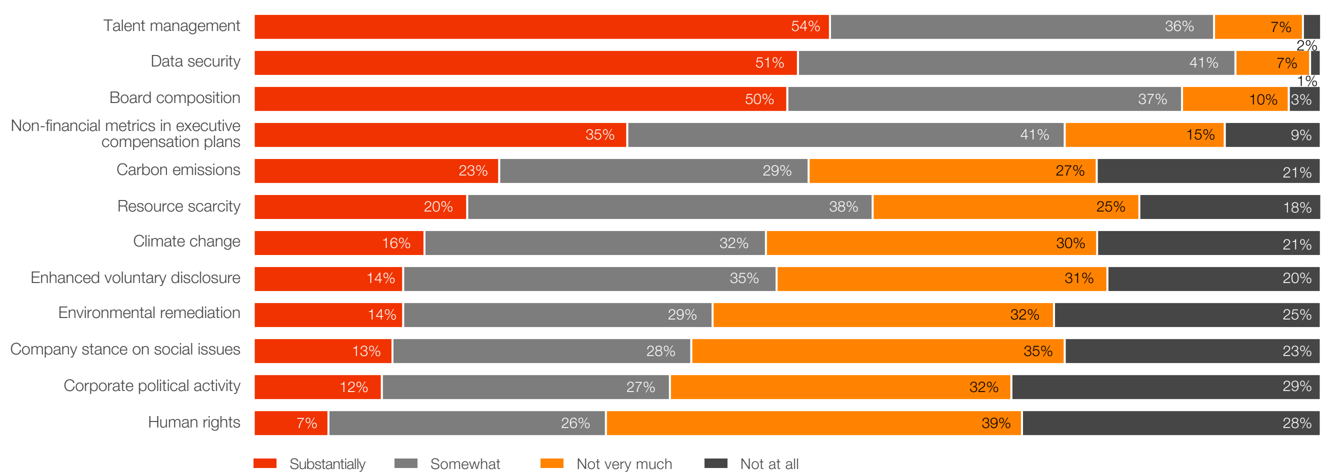
18. Which of the following information related to cybersecurity does your board receive? (select all that apply)



Base: 536
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

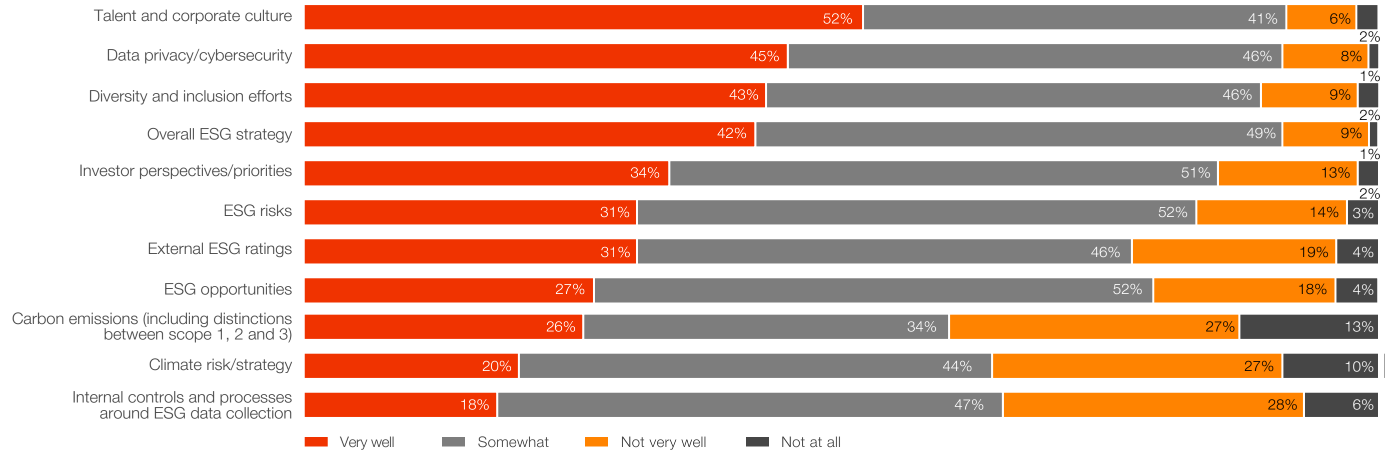
ESG

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



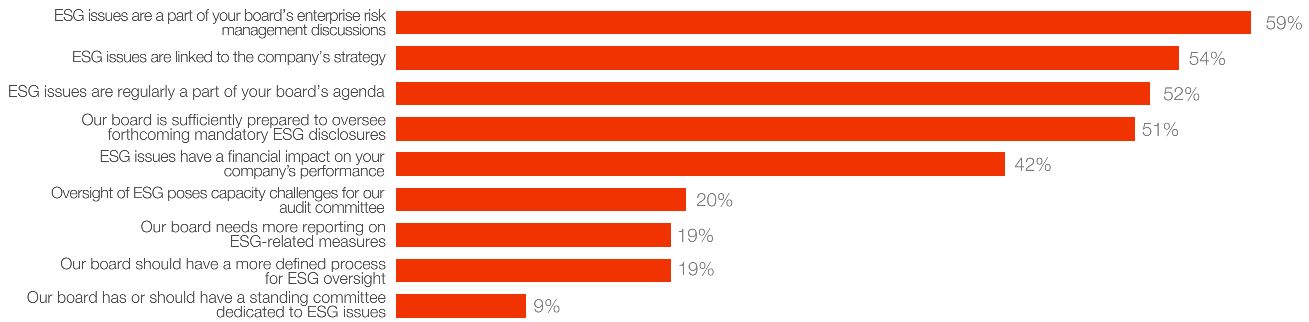
Base: 554–558
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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



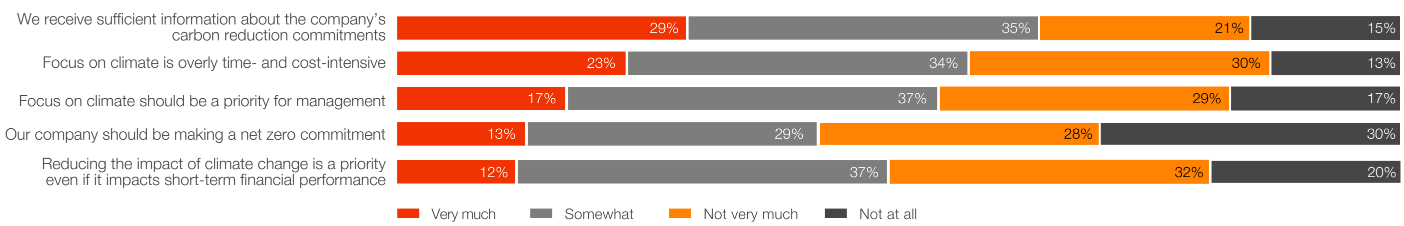
Base: 512–560
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

21. With which of the following statements do you agree about ESG issues? (select all that apply)



Base: 531
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

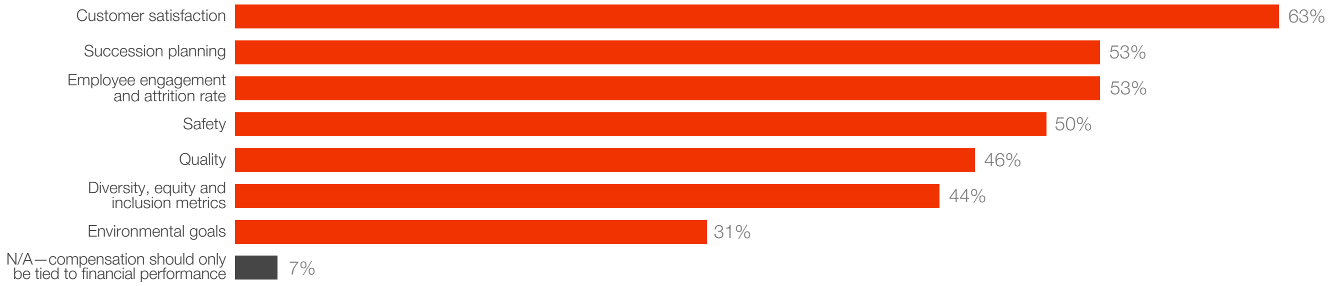
22. To what extent do you agree with the following statements regarding climate change and your company's climate strategy?



Base: 550–563
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

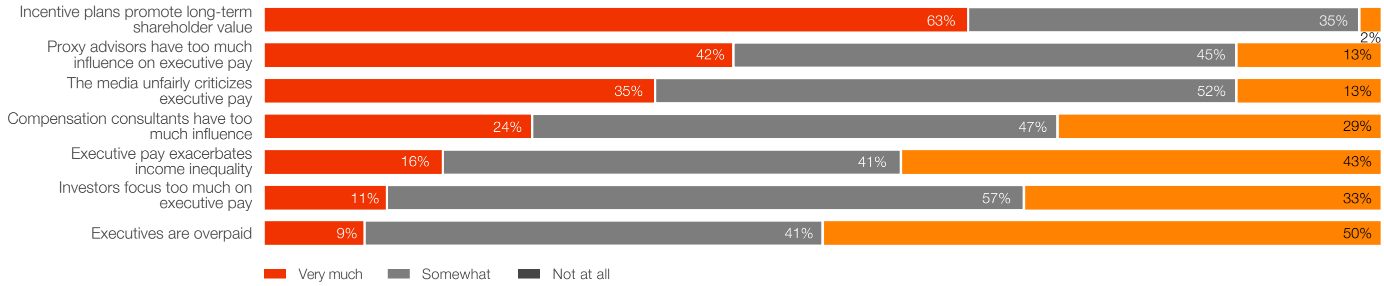
Executive compensation/talent management

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



Base: 547
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

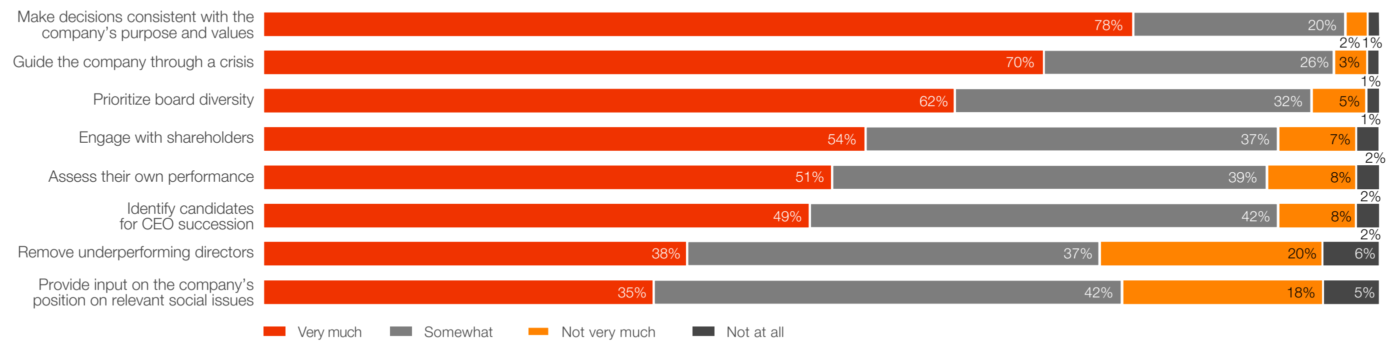
24. To what extent do you agree with the following regarding executive pay in the US?



Base: 542–548
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

The broader environment

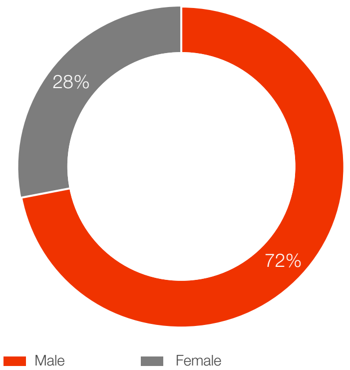
25. How confident are you in your board's ability to effectively:



Base: 545–551
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

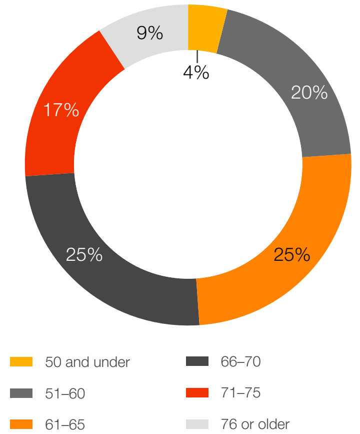
Demographics

You are:



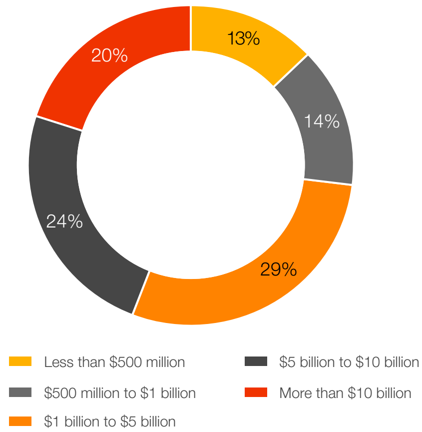
Base: 551
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Your age is:



Base: 551
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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

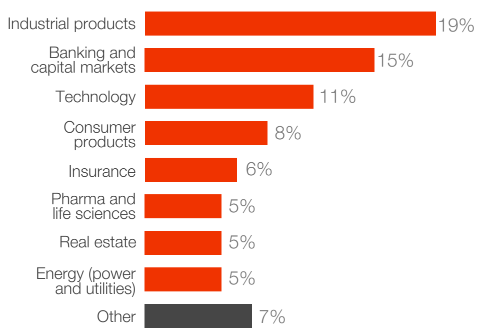


Base: 548
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

About the survey

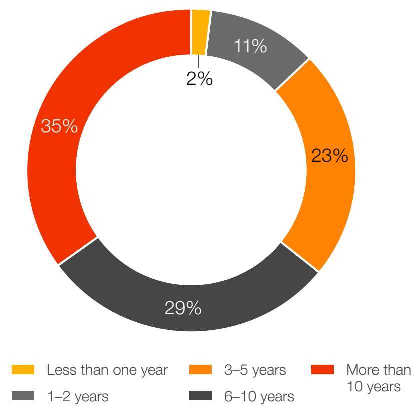
PwC's *Annual Corporate Directors Survey* has gauged the views of public company directors from across the United States on a variety of corporate governance matters for more than 15 years. In 2023, 619 directors participated in our survey. The respondents represent a cross-section of companies from over a dozen industries, 73% of which have annual revenues of more than $1 billion. Seventy-two percent (72%) of the respondents were men and 28% were women. Board tenure varied, but 64% of respondents have served on their board for more than five years.

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



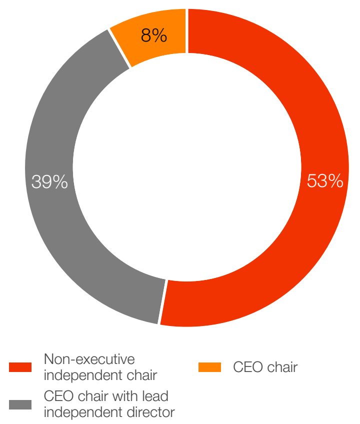
Note: Asset and wealth management, business and professional services, energy (oil and gas), health services, media/entertainment/telecommunications and retail each comprised less than 5%.
Base: 550
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

How long have you served on this board?



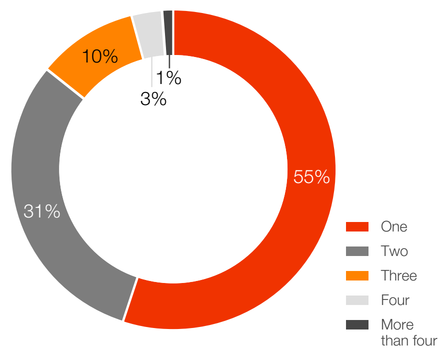
Base: 550
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

Which of the following describes that board's leadership structure?



Base: 535
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

On how many public company boards do you currently serve?



Base: 539
Source: PwC, *2023 Annual Corporate Directors Survey*, October 2023.

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.

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

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

Catie Hall
Director, Governance Insights Center
catherine.hall@pwc.com