

Governance Insights Center

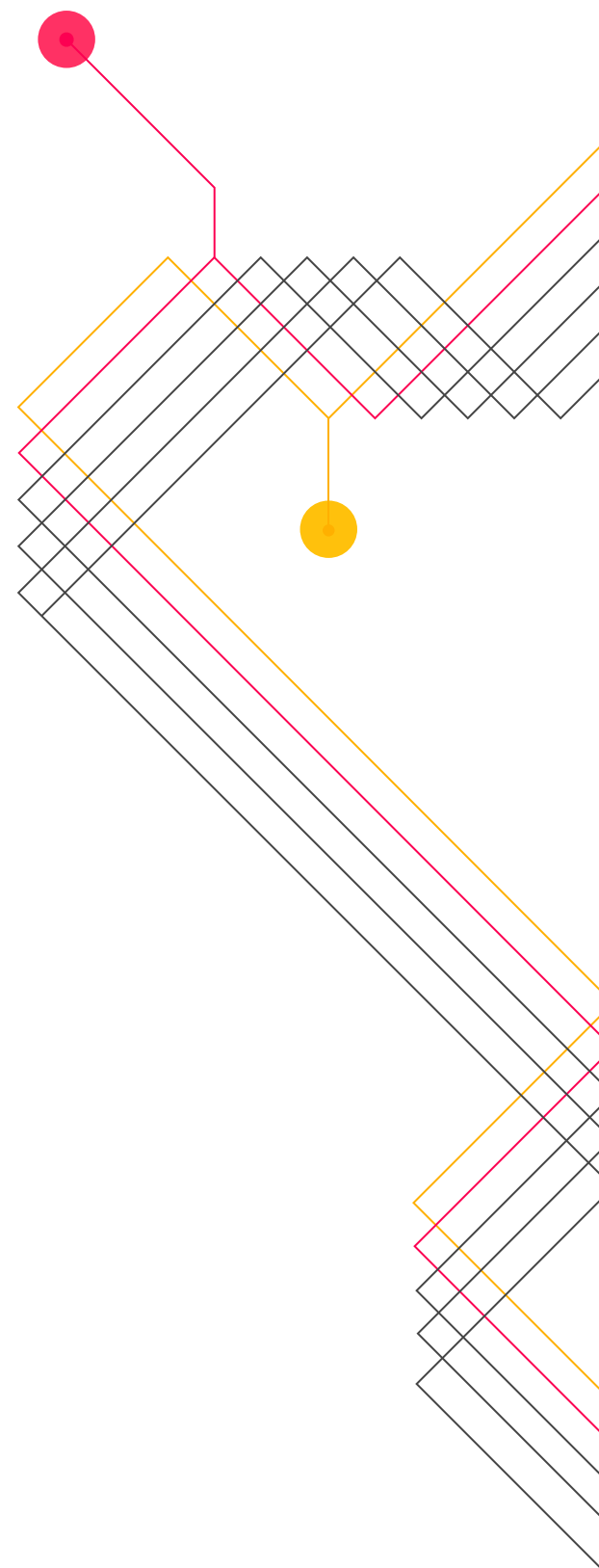
Charting the course through a changing governance landscape

PwC's 2022 Annual Corporate Directors Survey



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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.

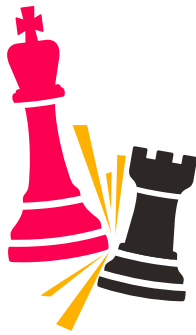
One of the areas drawing this increased focus and disclosure is ESG, with boards spending more time than ever on a host of ESG topics. But we see the ESG journey for boards starting to diverge based on company size. When it comes to the nature and the extent of the discussion, the boards of smaller companies 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.



66%



45%

Directors don't see a link between ESG and the bottom line



Directors don't think environmental/sustainability expertise is important

Only **11%** of directors say it is very important for their board.



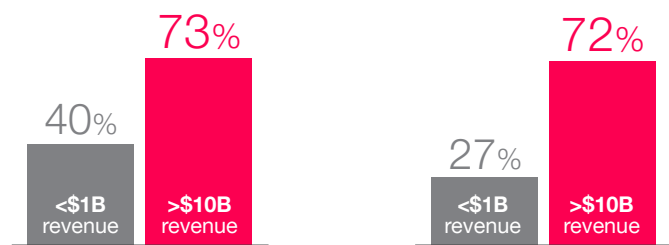
Directors see board diversity benefits, but question the candidates

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

On ESG, smaller company boards are far behind

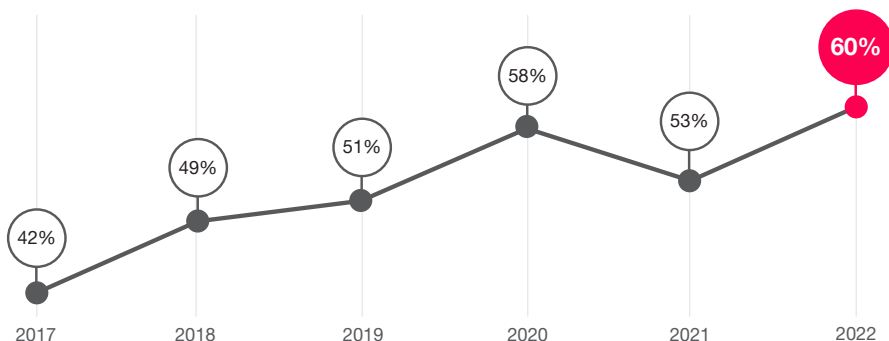
Directors who agree ESG issues are linked to company strategy

Directors whose boards have discussed climate change




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

Topic	Blind spot	PwC perspective
 <p>Board refreshment</p>	<p>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.</p>	<p>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.</p>
 <p>Need for environmental expertise on the board</p>	<p>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.</p>	<p>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.</p>
 <p>Oversight challenges</p>	<p>Just 13% of directors think that reputational risks are a significant challenge to oversee, and just 17% say the same about financial risks.</p>	<p>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.</p>



Topic	Blind spot	PwC perspective
 <p data-bbox="203 499 402 531">Cybersecurity</p>	<p data-bbox="462 390 933 636">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.</p>	<p data-bbox="1015 390 1433 852">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.</p>
 <p data-bbox="203 1039 386 1180">Role of business in political/social issues</p>	<p data-bbox="462 930 912 1176">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.</p>	<p data-bbox="1015 930 1443 1249">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.</p>
 <p data-bbox="203 1417 381 1558">Internal processes and controls over ESG</p>	<p data-bbox="462 1308 945 1449">Less than two-thirds (65%) of directors say their board understands the internal processes and controls around ESG.</p>	<p data-bbox="1015 1308 1425 1665">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.</p>

Board refreshment

Directors increasingly critical of peer performance

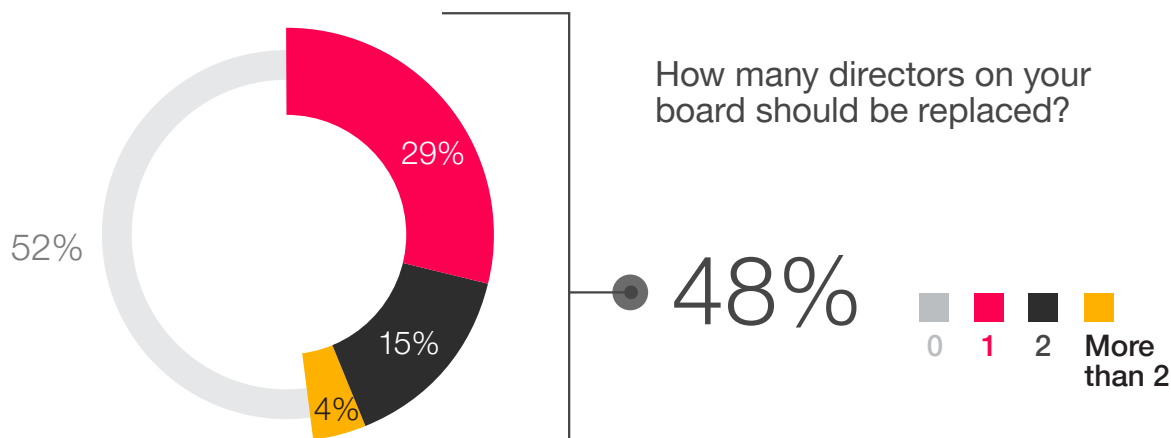
As the governance landscape has evolved, so too has the topic of board composition. With so much oversight responsibility held by just a dozen or fewer board members, every seat matters, and matters greatly. Investors and other stakeholders want to be sure that the board is comprised of the highest quality, 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



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

Base: 693

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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

		Willing to adopt	Unwilling to adopt	Already have
	Individual assessments	35%	28%	37%
	Mandatory retirement age of 72 or younger	14%	62%	24%
	Mandatory term limit of 12 years or less	23%	70%	7%

Q10. Do you think your board would be willing to institute any of the following policies?

Base: 671

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.



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.

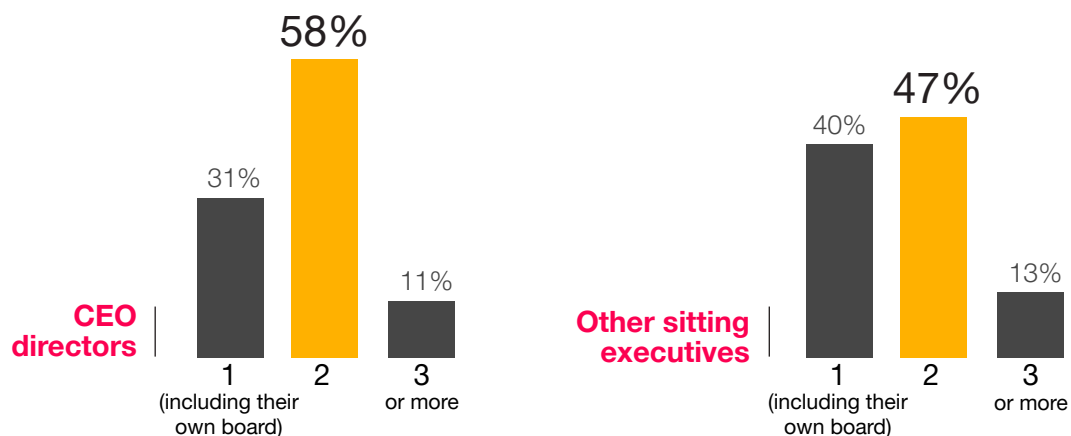
Investors and proxy advisors have honed in on overboarding as a significant concern for director performance. Directors who serve on too many boards, and especially those who have active executive careers at the same time, might not have the bandwidth necessary for effective board service.

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).

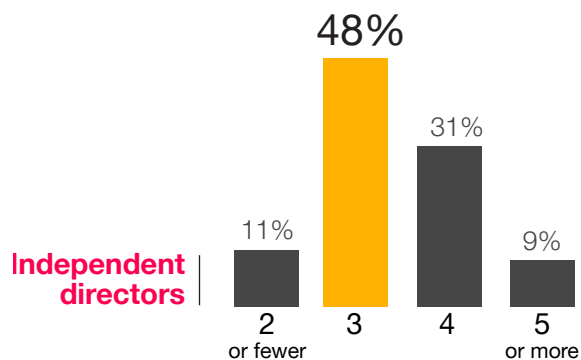
Directors take a more limited view. While they most commonly agree that CEOs and NEOs should serve on no more than two total boards (including their own), almost one-third (31%) think CEOs should not serve on another board at all. And 40% say the same about other sitting executives. Few investors have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

What is the right number of boards for active executives?



What is the right number of boards for independent directors?



Q11. 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)
 Base: 675-684
 Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Board diversity

Diversity of thought comes in many forms

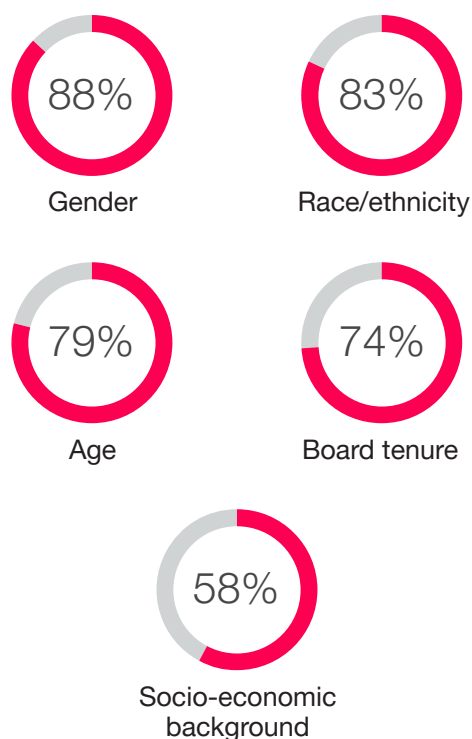
Board diversity has been an area of intense focus from investors for years. Voting policies have evolved as large institutional investors have made stricter and more specific calls for diversity. Regulations, including a listing standard for NASDAQ companies, push boards to ensure certain types of individuals 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

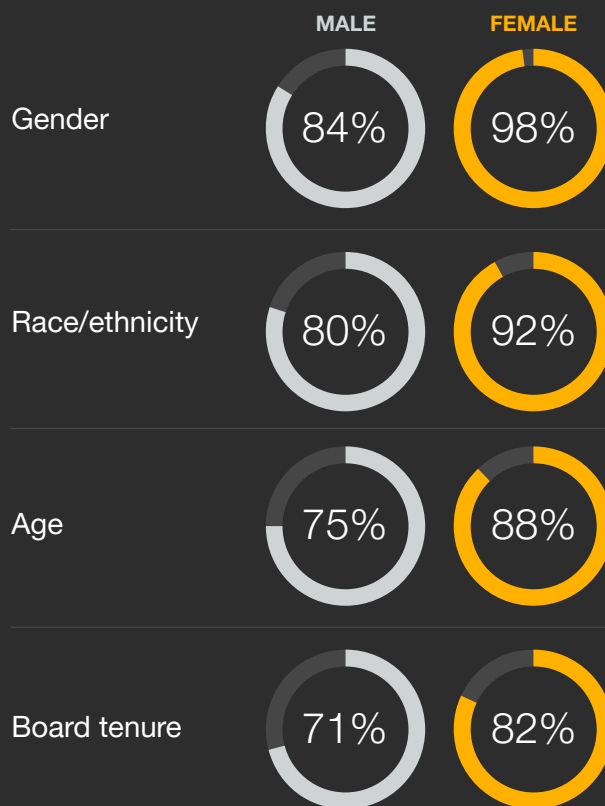
Percentage of directors saying the following elements are important to creating diversity of thought:



Q4. How important are the following factors in achieving diversity of thought in the boardroom?
Base: 695-699
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.



Female directors are more likely to value many kinds of diversity



Q4. How important are the following factors in achieving diversity of thought in the boardroom?
 Base: 640-643
 Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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

Disclosed information in proxy statement about board diversity



Replaced retiring director with one who increases diversity



Increased board size to add director who increases diversity



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

Base: 694

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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

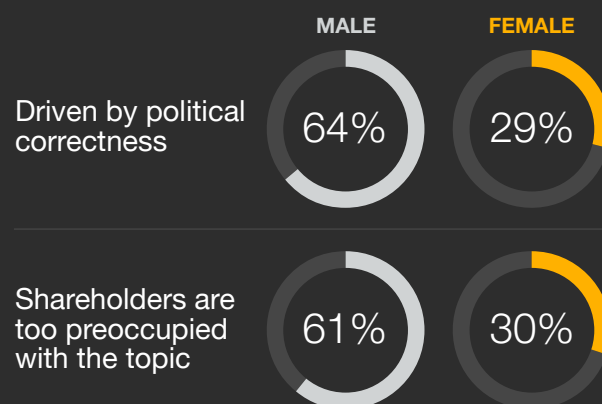
	2019	2022
Brings unique perspectives to the boardroom	94%	93%
Improves strategy/risk oversight	80%	74%
Enhances company performance	76%	73%
Results in unneeded candidates	27%	34%
Results in unqualified candidates	23%	31%

Q5. To what extent do you agree with the following statements about board diversity?

Base: 728-734 (2019); 694-699 (2022)

Sources: PwC, 2019 Annual Corporate Directors Survey, October 2019; PwC, 2022 Annual Corporate Directors Survey, October 2022.

Male directors question elements of board diversity



Q5. To what extent do you agree with the following statements about board diversity?

Base: 638-640

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

ESG oversight

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.

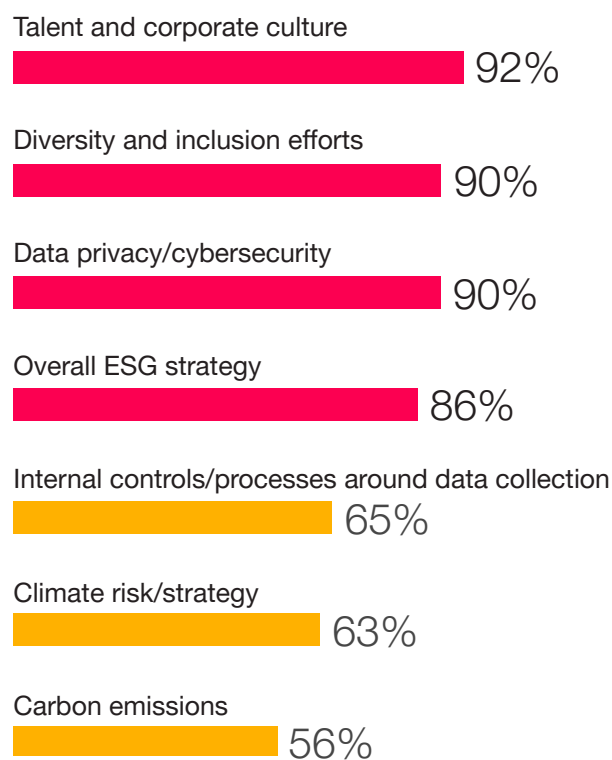
The expectation that directors be deeply involved in a company's ESG strategy is a central aspect of board service at most companies. So it's encouraging that the vast majority of directors (86%) say their board understands the company's ESG strategy. Another 82% say the board understands the company's 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:



Q18. How well do you think your board understands the following as they relate to your company?
Base: 602-651
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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.



Board oversight process solidifies, perspectives change

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

	2021	2022
Regularly part of the board’s agenda	52%	55%
Linked to company strategy	64%	57%
Impacts company financial performance	54%	45%

Q19. With which of the following statements do you agree about ESG issues? (select all that apply)

Base: 788 (2021); 636 (2022)

Sources: PwC, 2021 Annual Corporate Directors Survey, October 2021; PwC, 2022 Annual Corporate Directors Survey, October 2022.



Female directors more likely to see ESG's connection to strategy, and to prioritize climate change



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
 Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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.

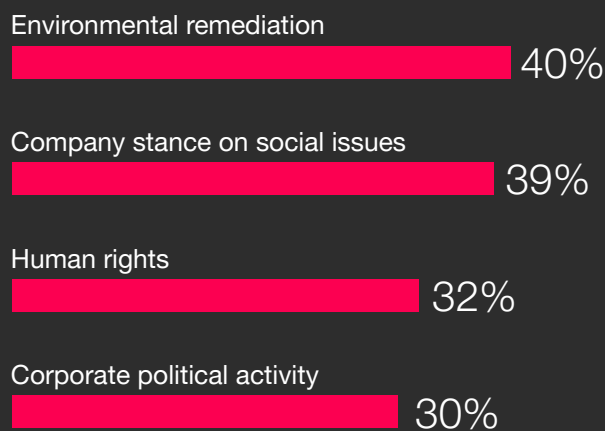
What’s less common is board attention on newer, emerging areas. Just 39% of directors say their board has somewhat or substantially covered their company’s stance on social issues in the past 12 months. Less than one-third say they’ve covered human rights issues and only 30% say the same about corporate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



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:



Q17. In the last 12 months, to what extent has your board discussed the following ESG issues?

Base: 646-647

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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).



Directors increasingly get behind workforce measures

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

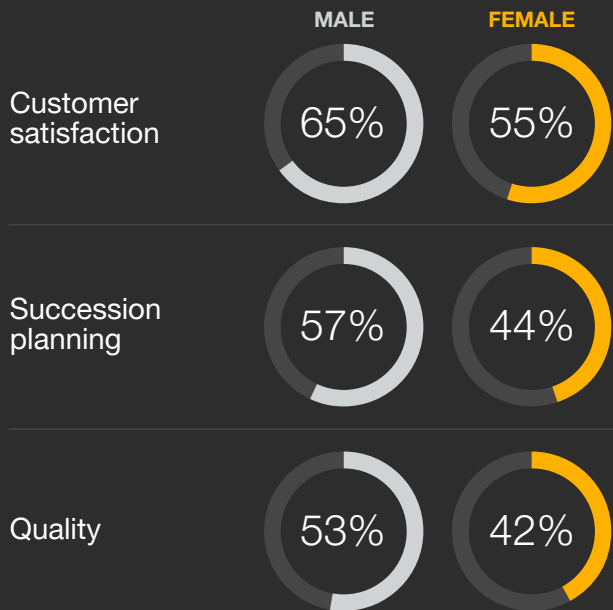
	2020		2022
Diversity and inclusion	39%	⬆️	52%
Succession planning	43%	⬆️	54%

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)
 Sources: PwC, 2020 Annual Corporate Directors Survey, September 2020; PwC, 2022 Annual Corporate Directors Survey, October 2022.

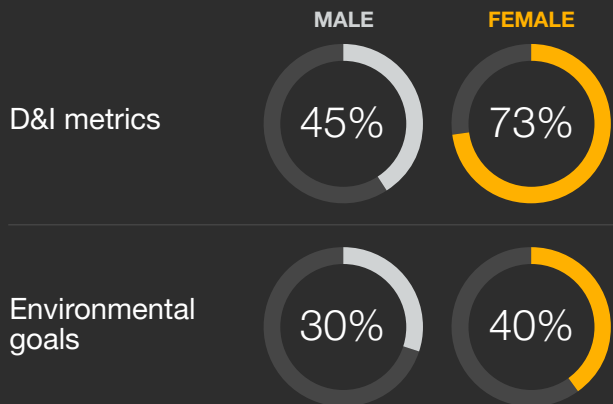


Male and female directors support different types of ESG-related goals

Male directors are more likely to support:



Female directors are more likely to support:



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

Base: 634

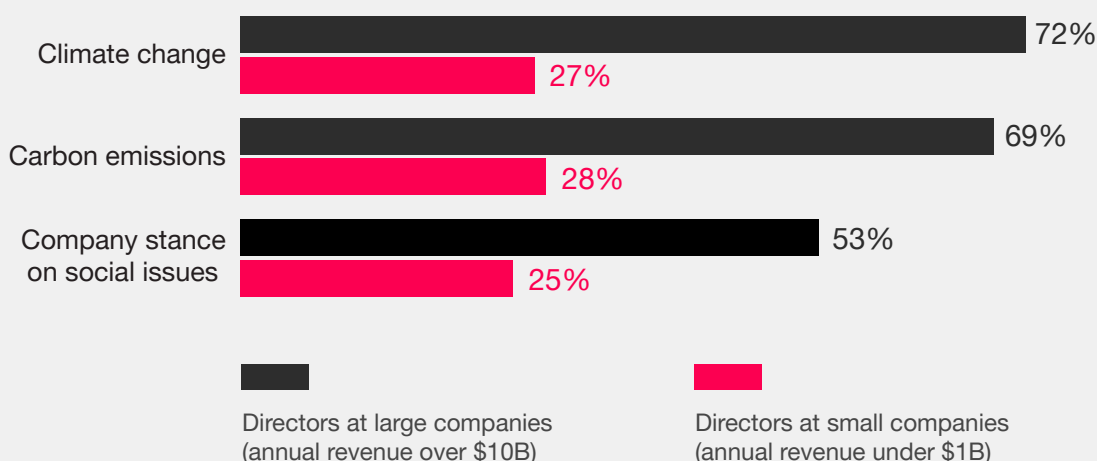
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

How company size dictates the board’s ESG path

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:



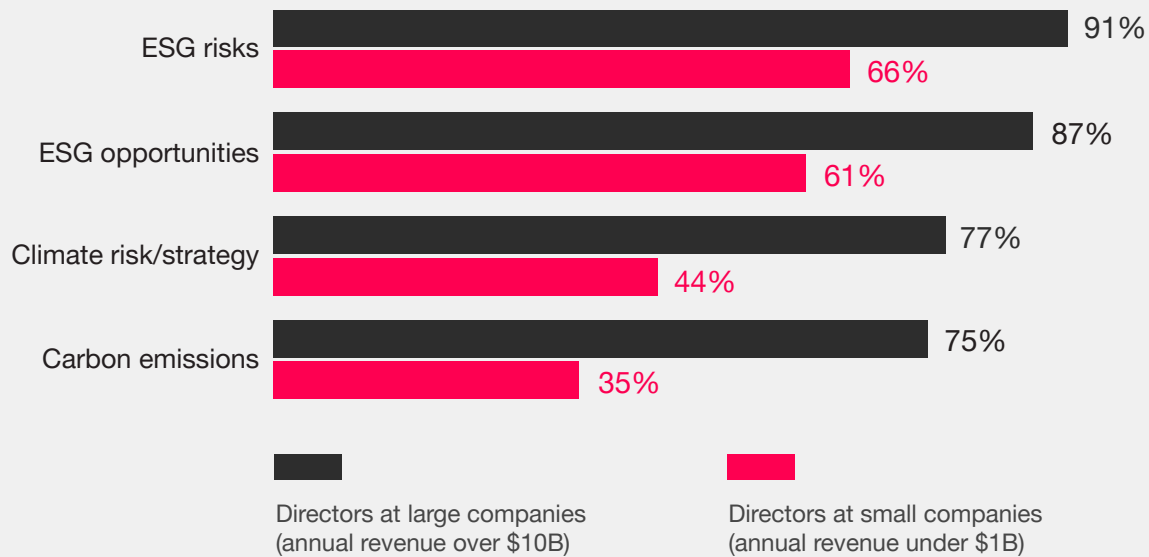
Q17. In the last 12 months, to what extent has your board discussed the following ESG issues?

Base: 313-316

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Director understanding

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



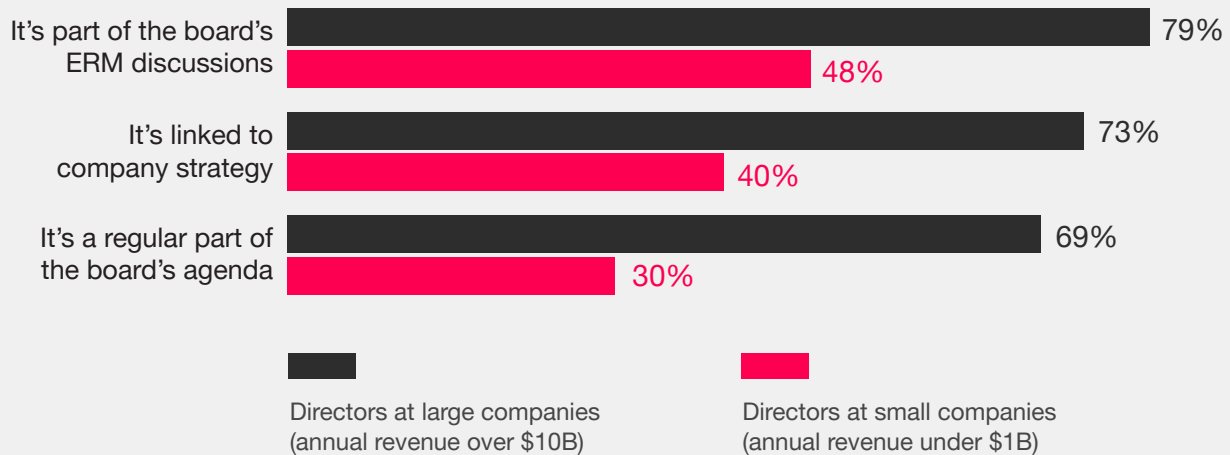
Q18. How well do you think your board understands the following as they relate to your company?

Base: 291-313

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Integration into board/company processes

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



Q19. With which of the following statements do you agree about ESG issues? (select all that apply)

Base: 307

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.


Shareholder engagement

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.

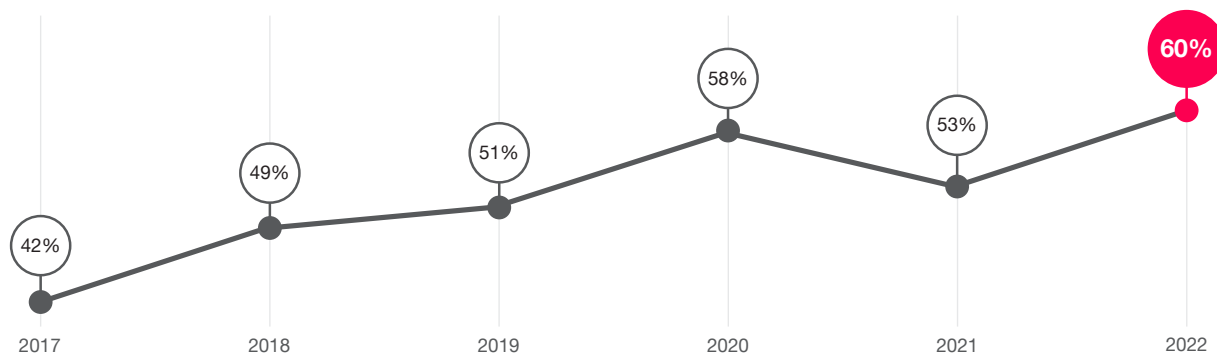


What keeps directors away from shareholder engagement? Almost half (49%) say shareholders were not interested.

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

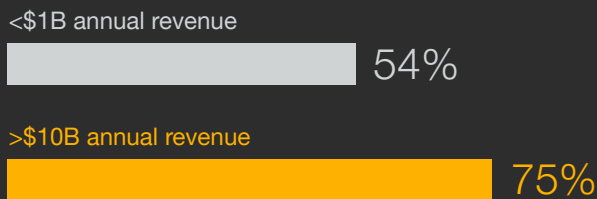
Percentage of directors who say a member of the board (other than the CEO) is directly involved in shareholder engagement:



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)
 Sources: PwC, 2017-2022 Annual Corporate Directors Survey, Fall 2017-2022.



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
 Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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.

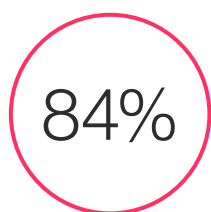
And directors don't just say that the meeting was positive. They also say that their board took some action as a result of the discussion. Most commonly, directors say that the engagement impacted board discussions of certain topics (41%). It may have brought up issues the board had not previously identified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

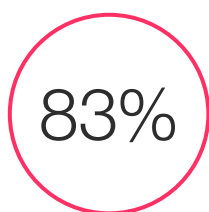
These findings show that a productive engagement with shareholders doesn't have to result in upheaval on the board. Simple steps like shifting the discussion in the boardroom can make a difference and make the engagement a valuable tool. That type of feedback/discussion can improve the board's performance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

High marks for engagement

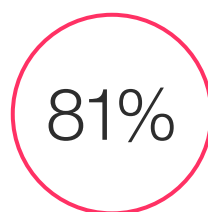
Percentage of directors who agree that:



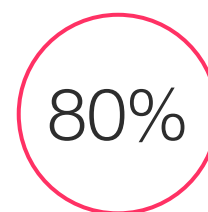
Discussion was productive



Investors were well prepared



Discussion focused on board-level oversight



Investors understood the company's business and strategy

Q12d. Do you agree with the following characterizations of that shareholder engagement?

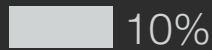
Base: 382-384

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.



Directors at large companies see too much ESG focus during engagements

<\$1B annual revenue



>\$10B annual revenue



Q12d. Do you agree with the following characterizations of that shareholder engagement?

Base: 363

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Shareholder engagement can lead to changes without upheaval. Even simple things like a shift in boardroom discussions can be valuable.

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:

Capital allocation



Long-term strategic initiatives



Short-term stock performance



Executive compensation



Q25. How do you think an economic downturn would affect institutional shareholder focus on the following areas?

Base: 637-640

Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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:

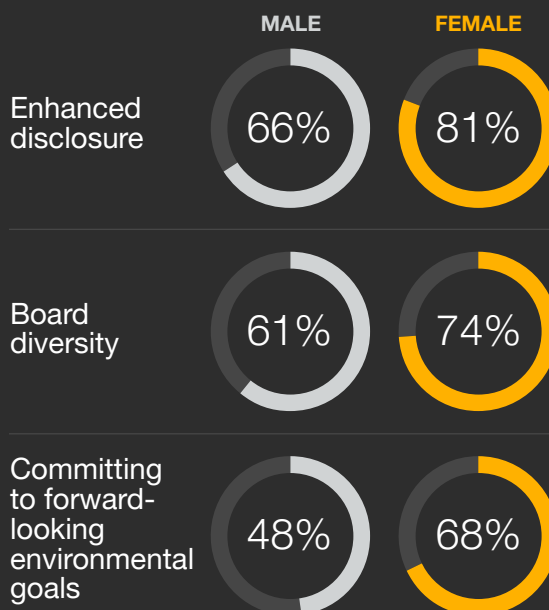
Engaging directly with shareholders **71%**

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
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Female directors more likely to say company actions can improve trust



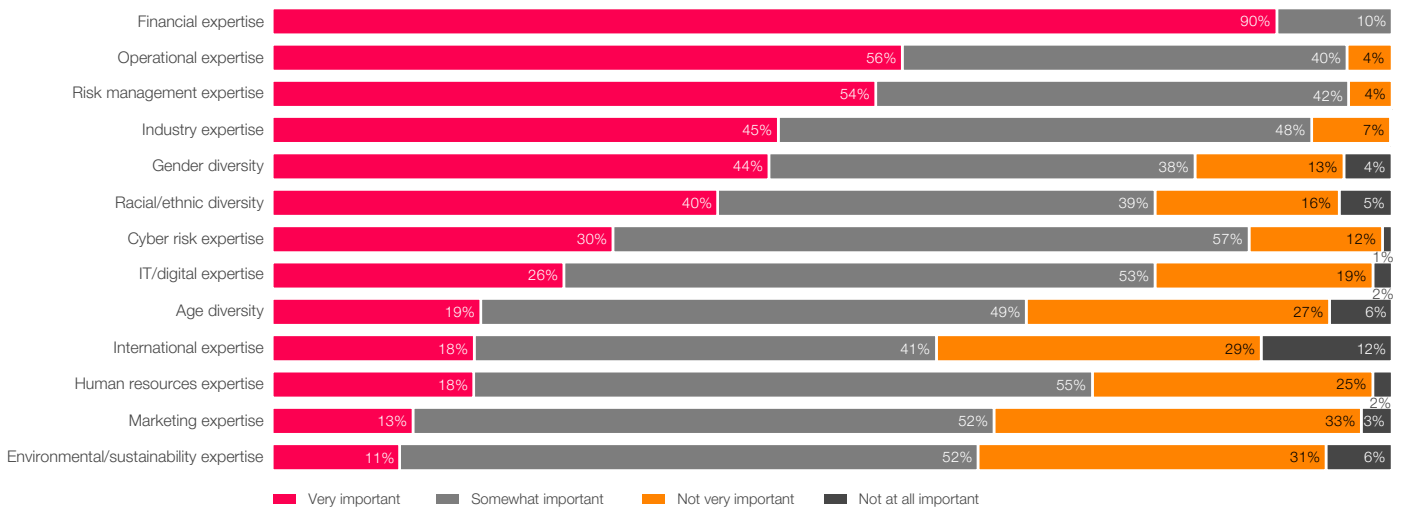
Q24. To what extent do you think the following actions could enhance stakeholder trust?
Base: 635
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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?



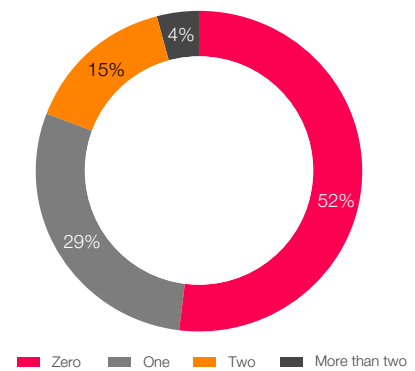
Base: 692-700
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



Base: 693
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

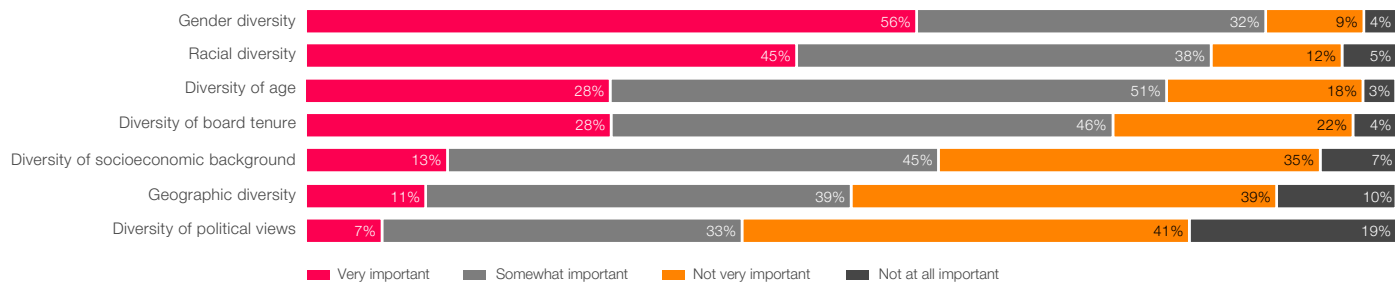
3. In your opinion, how many directors on your board should be replaced? (select only one)



Base: 693
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

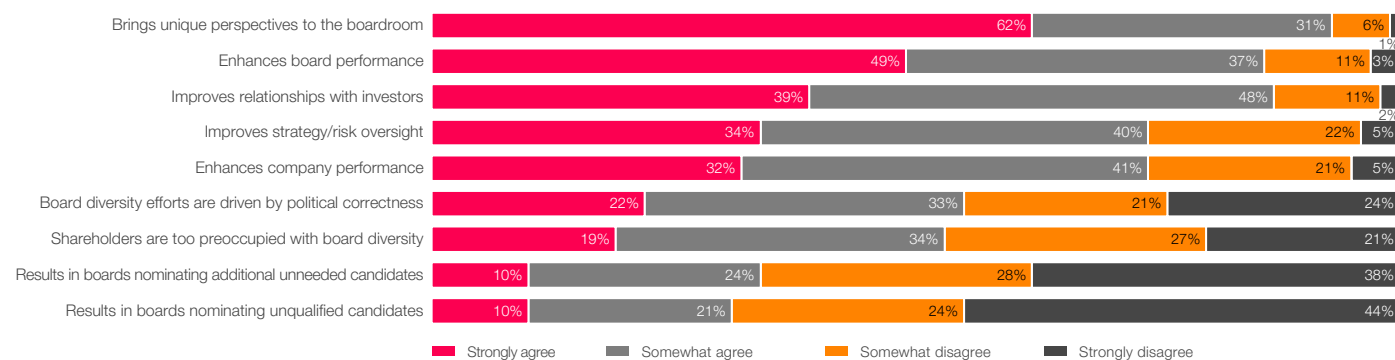


4. How important are the following factors in achieving diversity of thought in the boardroom?



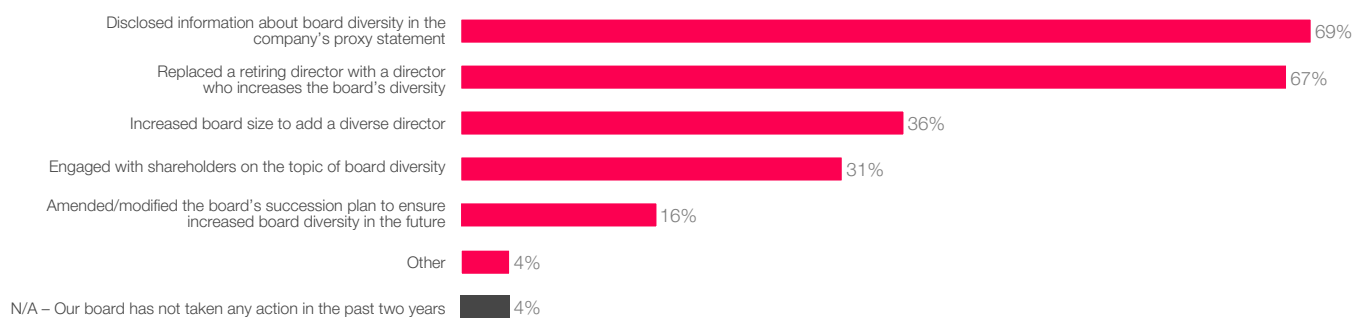
Base: 695-699
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



Base: 694-699
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

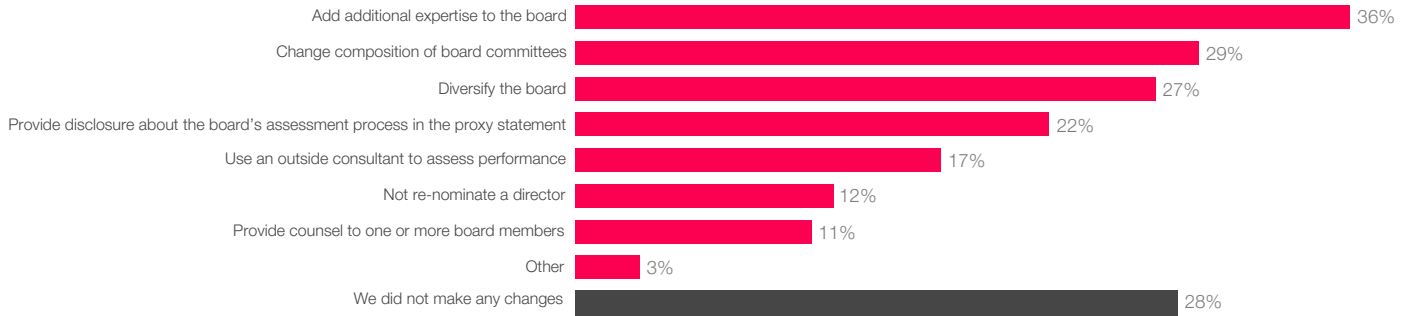
6. Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)



Base: 694
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

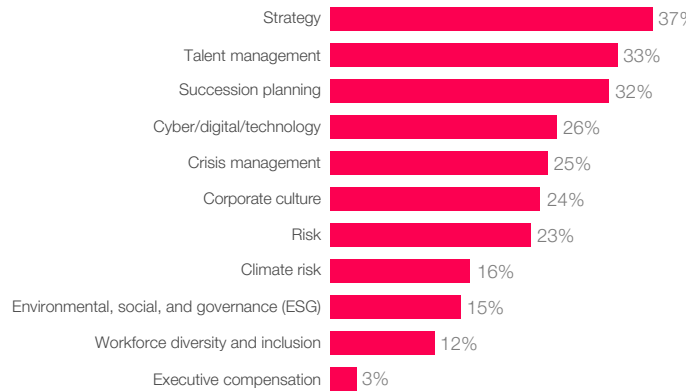
Board practices

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: 682
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



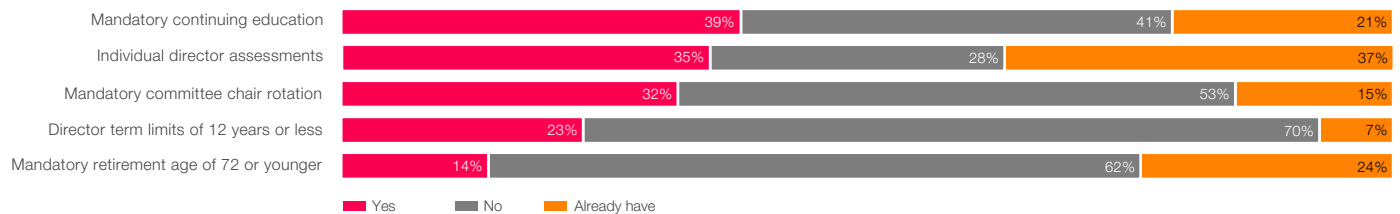
Base: 674
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



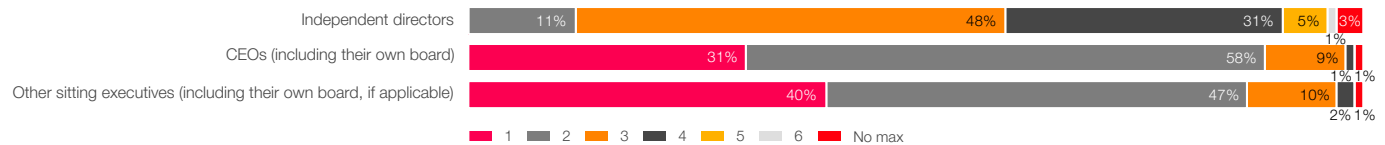
Base: 679
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



Base: 666-677
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

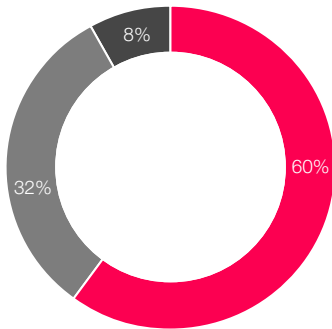
11. In your opinion, what is the maximum total number of public company boards on which directors should serve? (select one for each category of director)



Base: 675-684
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Shareholder communication

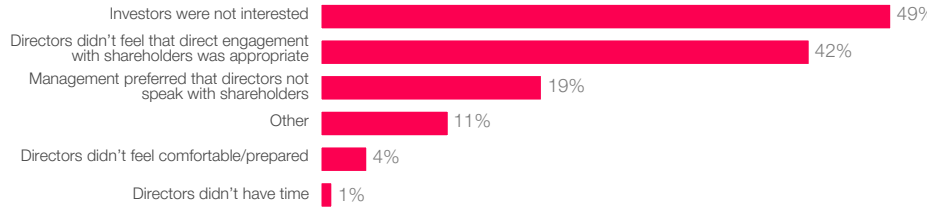
12a. Has a member of your board (other than the CEO) had direct engagement with investors during the past 12 months?



■ Yes ■ No ■ Don't know

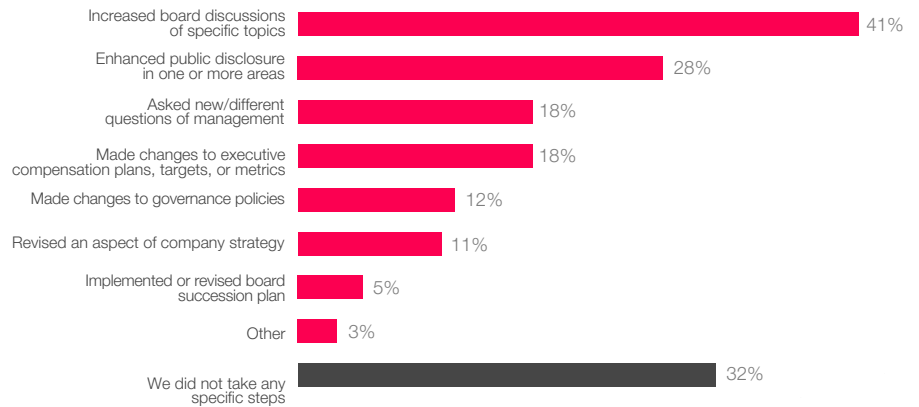
Base: 689
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



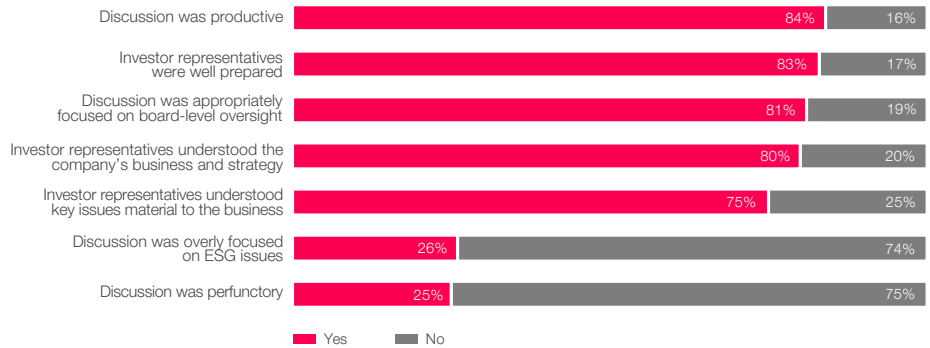
Base: 226
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



Base: 411
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

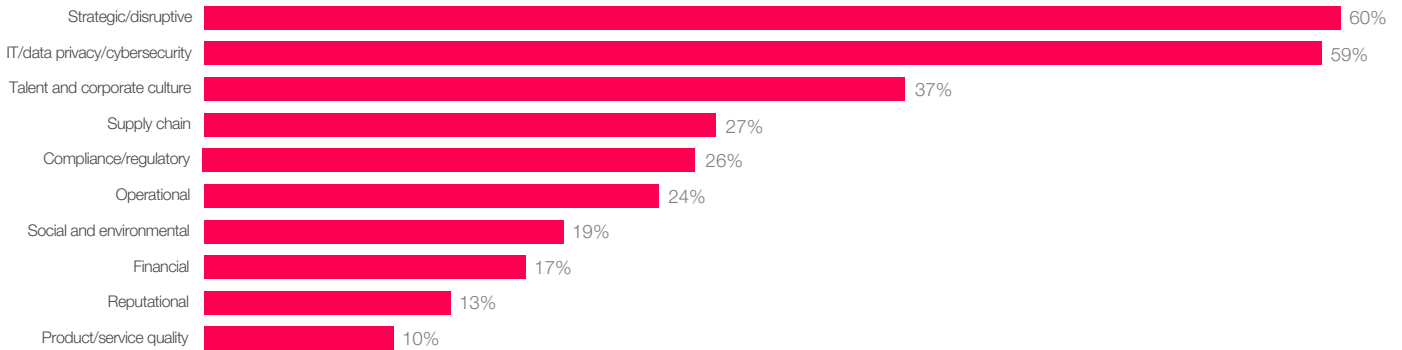
12d. Do you agree with the following characterizations of that shareholder engagement?



Base: 366-387
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

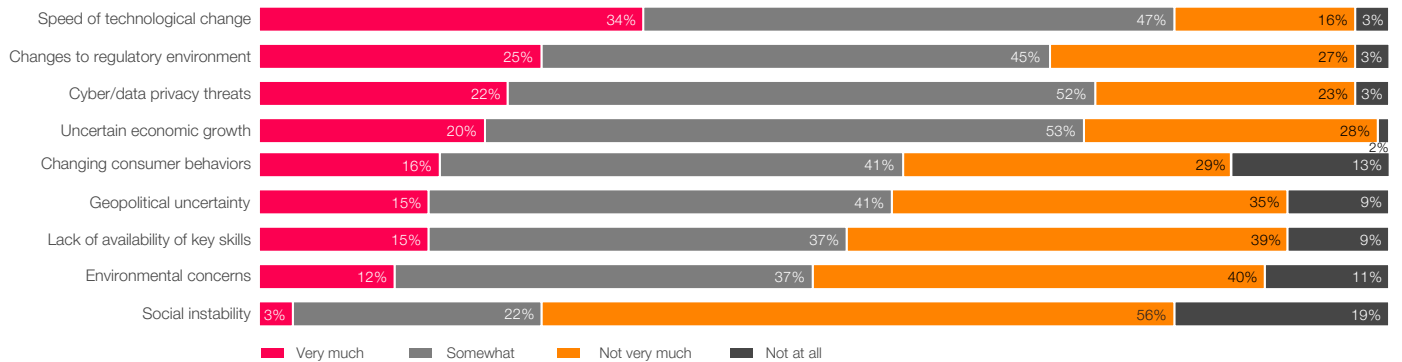
Strategy/risk

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



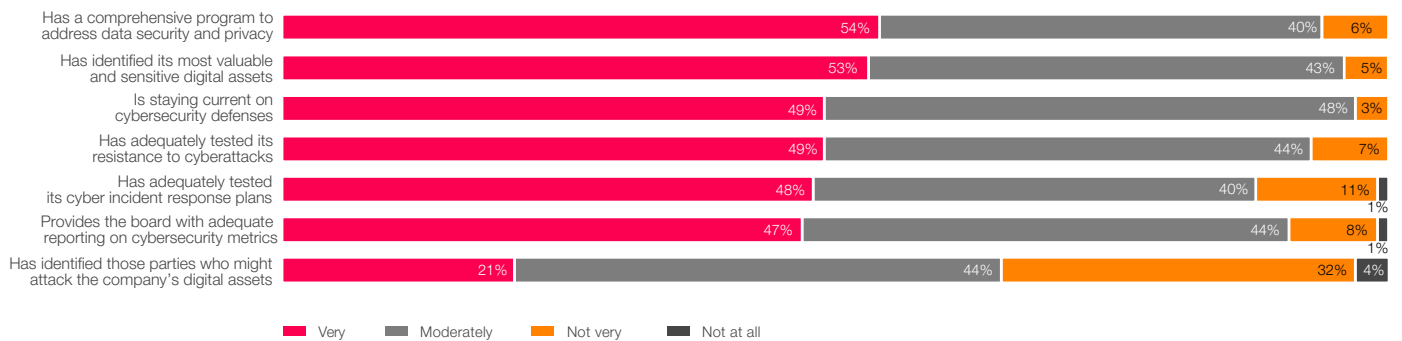
Base: 648
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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?



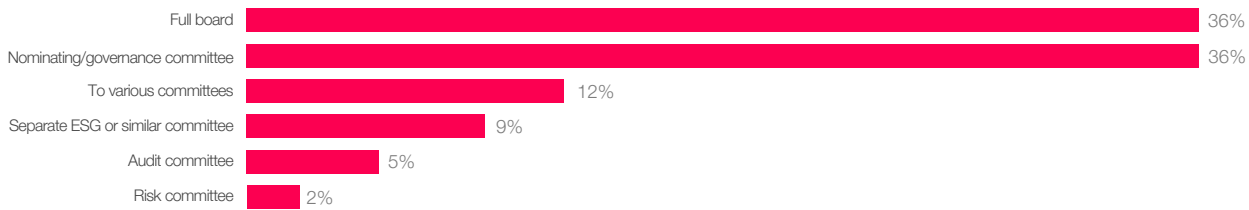
Base: 656-667
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

15. How comfortable are you that your company:



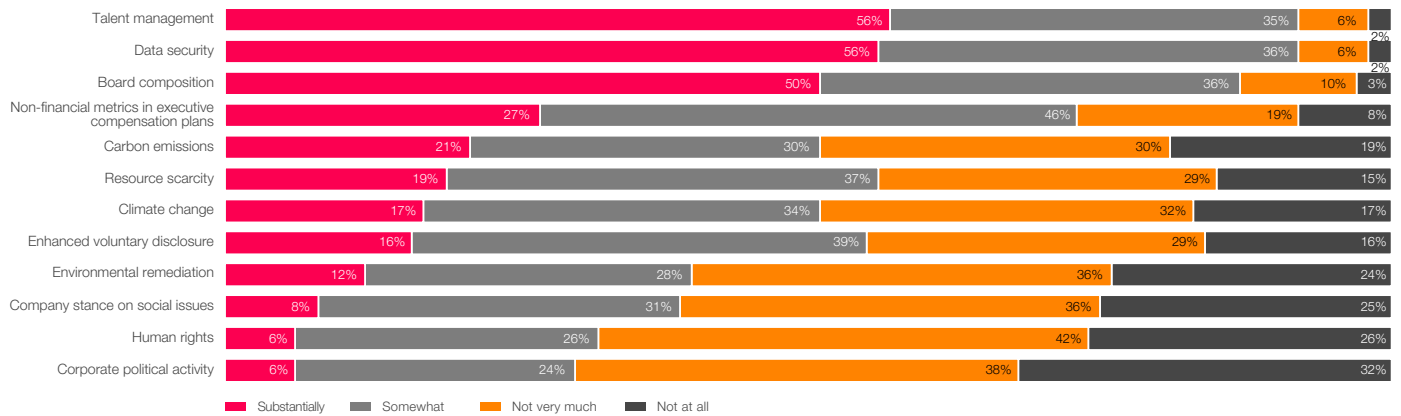
Base: 668-674
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

16. Where does your board primarily allocate oversight of ESG? (select one)



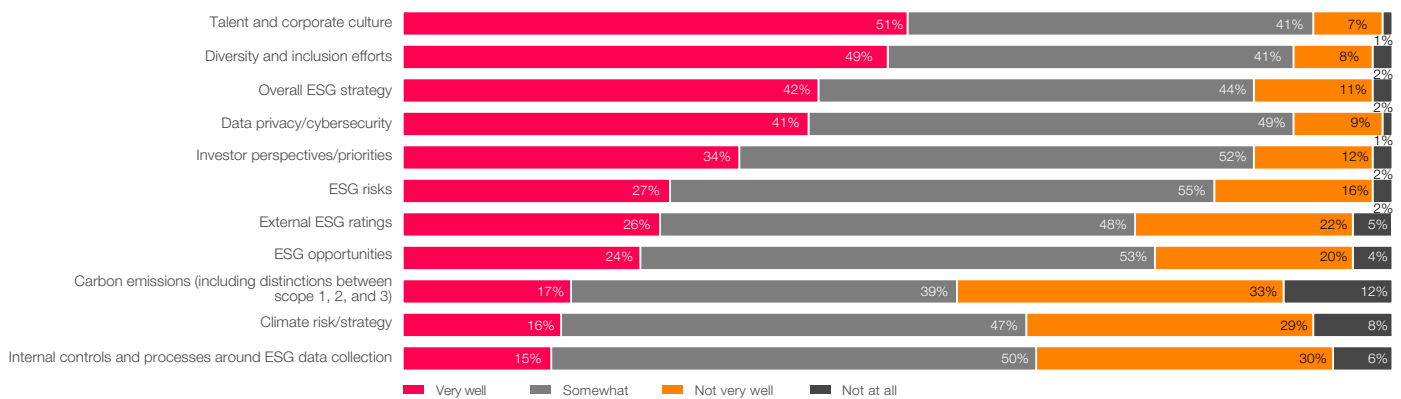
Base: 653
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



Base: 640-653
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

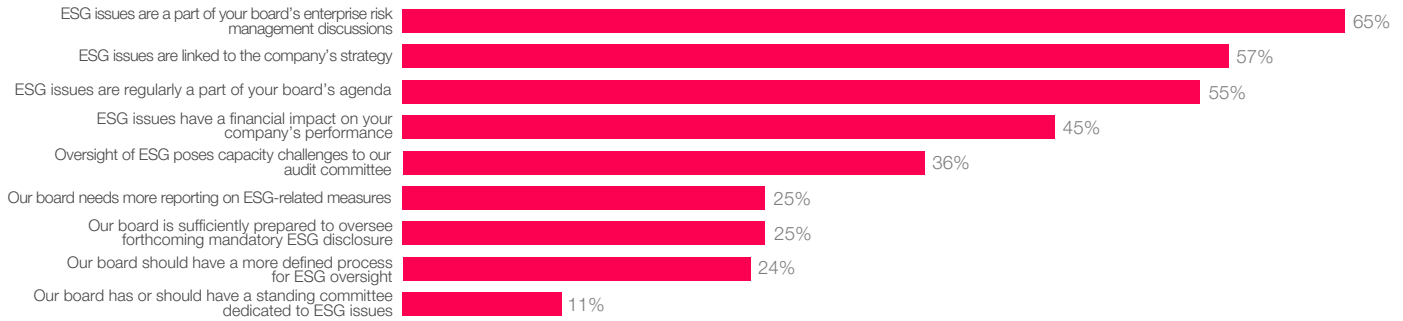
18. How well do you think your board understands the following as they relate to your company?



Base: 602-651
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

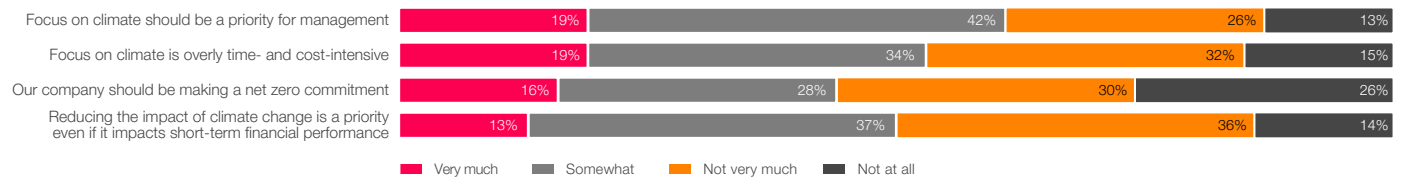


19. With which of the following statements do you agree about ESG issues? (select all that apply)



Base: 636
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

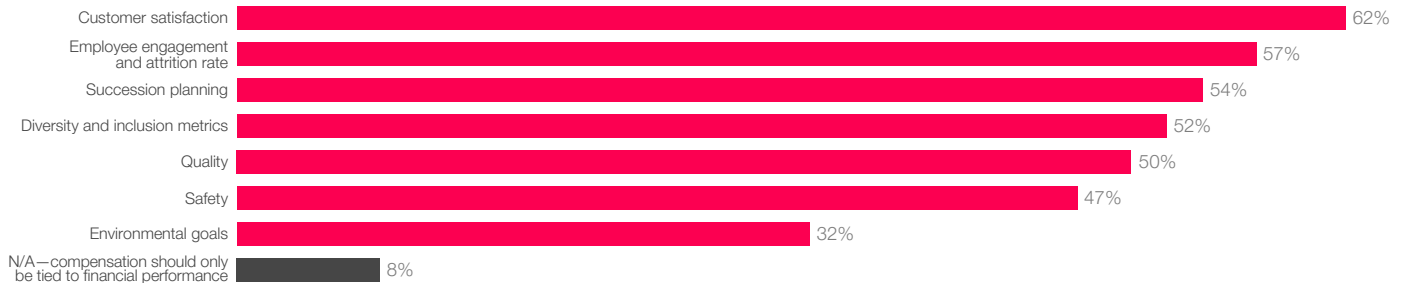
20. To what extent do you agree with the following statements regarding climate change and your company's climate strategy?



Base: 647-651
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

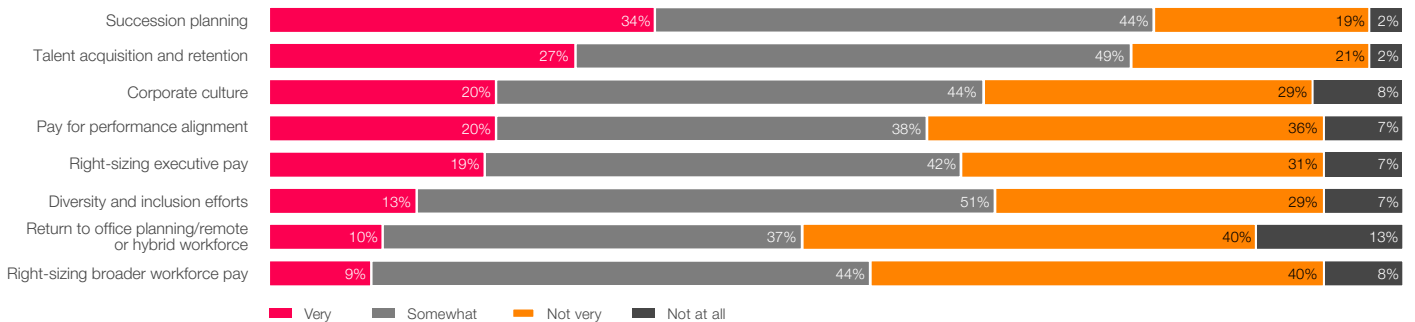
Executive compensation/talent management

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



Base: 646
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

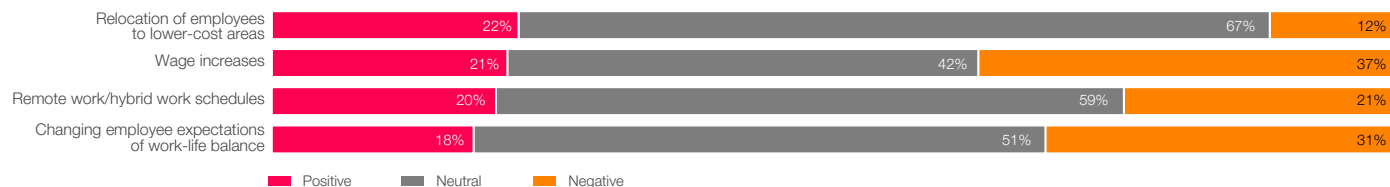
22. How challenging are the following areas of talent oversight for your board?



Base: 642-646
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.



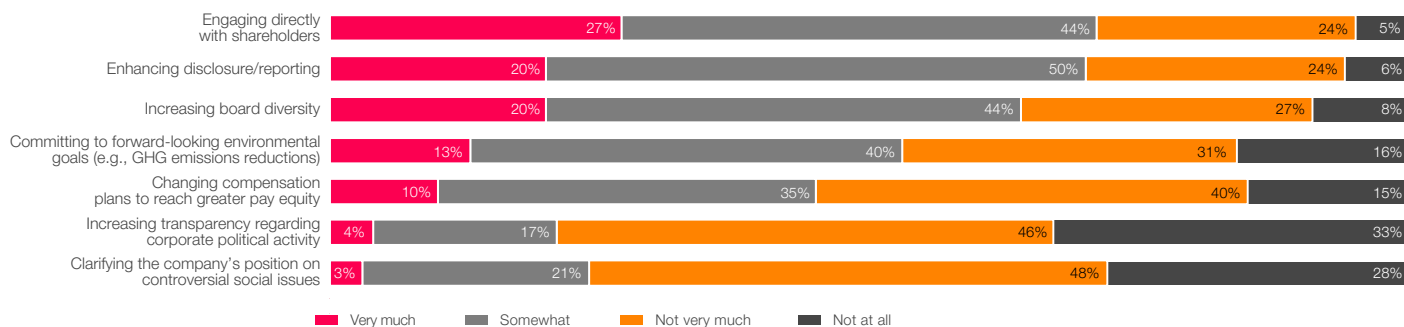
23. How would you characterize the impact of the following trends on your company's ability to execute its strategy?



Base: 428-628
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

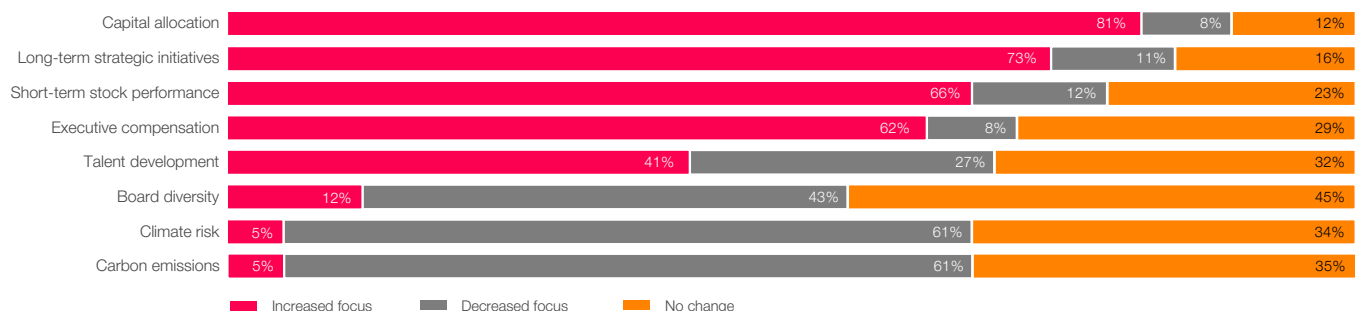
The broader environment

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



Base: 640-641
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

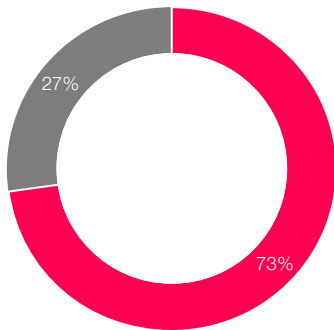
25. How do you think an economic downturn would affect institutional shareholder focus on the following areas?



Base: 637-640
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

Demographics

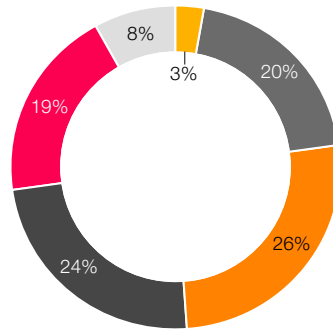
You are:



Male Female

Base: 646
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

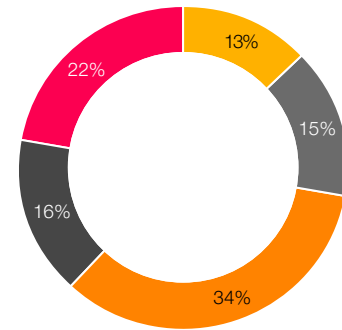
Your age is:



50 and under 66-70
51-60 71-75
61-65 76 or older

Base: 647
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

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



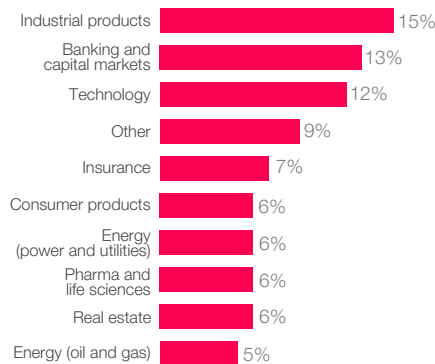
Less than \$500 million \$5 billion to \$10 billion
\$500 million to \$1 billion More than \$10 billion
\$1 billion to \$5 billion

Base: 645
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

About the survey

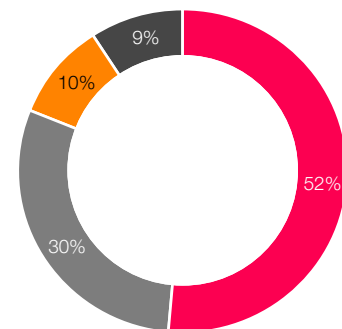
PwC's Annual Corporate Directors Survey has gauged the views of public company directors from across the United States on a variety of corporate governance matters for more than a decade. In 2022, 704 directors participated in our survey. The respondents represent a cross-section of companies from over 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.

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



Note: Asset and wealth management, business and professional services, health services, media/entertainment/telecommunications, and retail each comprised less than 5%.
Base: 649
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

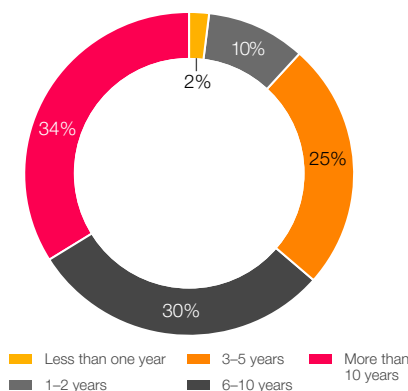
Which of the following describes that board's leadership structure?



Non-executive independent chair CEO chair with lead independent director
CEO chair Other

Base: 647
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

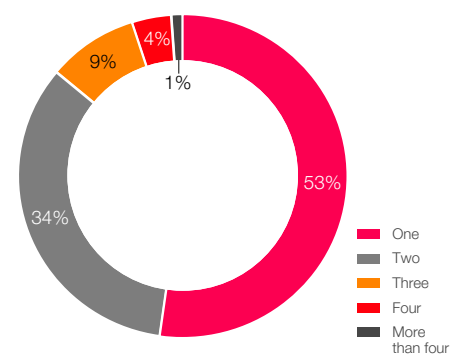
How long have you served on this board?



Less than one year 3-5 years More than 10 years
1-2 years 6-10 years

Base: 646
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

On how many public company boards do you currently serve?



Base: 644
Source: PwC, 2022 Annual Corporate Directors Survey, October 2022.

How PwC can help

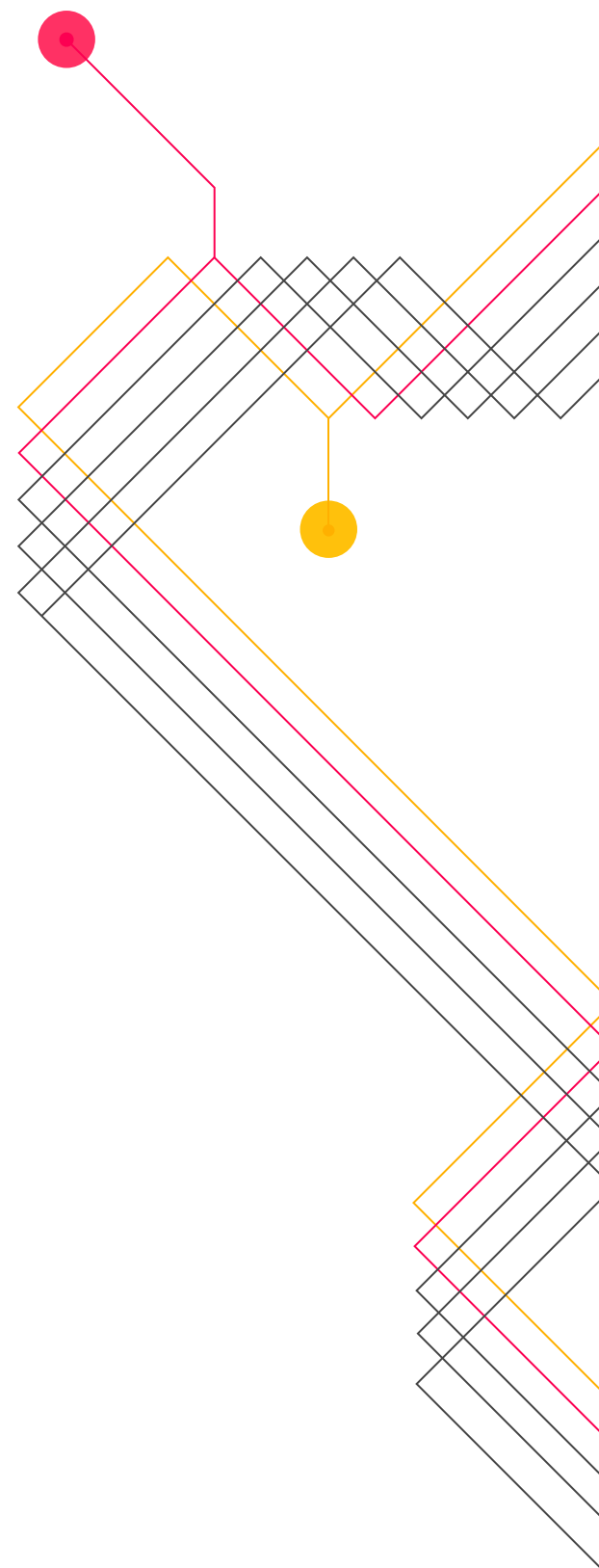
To have a deeper discussion about how these topics might impact your business, please contact your engagement partner or a member of PwC's Governance Insights Center.

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