2023 NACD Public Company

BOARD PRACTICES AND OVERSIGHT SURVEY

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About the Survey

The *2023 NACD Public Company Board Practices and Oversight Survey* report presents results from our annual questionnaire. This report details responses from 328 public company directors on their boardroom activities to oversee several critical areas, including ESG, human capital, and artificial intelligence (AI).

Methodology

DATA COLLECTION

Leveraging its proprietary member database as a sample frame, NACD sent email invitations to directors and others who serve on boards asking them to participate in the 2023 Board Practices & Oversight Survey. The survey was in the field from April 3, 2023, to May 3, 2023, and the questionnaire was administered electronically. Respondents were instructed to respond on behalf of one of the boards on which they serve.

ANALYSIS

Percentages are based on the total number of responses specific to each question. For example, if a question received responses from only 100 out of 328 total respondents, and 75 respondents answered "yes" while 25 answered "no," the result is reported as 75 percent affirmative. In some cases, survey responses totaling fewer than 5 percent are not represented in graphics for the sake of clarity.

Key Findings

1. Board focus on artificial intelligence is in its early stages

Ninety-five percent of directors believe that the increased adoption of AI tools will impact their businesses, but it is not yet discussed regularly. Only **28 percent** of respondents indicate that the topic of artificial intelligence features regularly in board conversations. Meanwhile, less than **10 percent** report that their management teams are very or extremely proficient with AI issues. As the risks and opportunities of AI technology grow, boards must plan how they will oversee this new technology domain.

2. Boards steadfast in focus on ESG, but challenged by unclear standards

A majority (**62%**) of respondents continue to believe that ESG programs create long-term value within their organizations. Despite growing debates about ESG, more than half (**58%**) indicate that ESG issues have actually increased in priority. Their main governance challenge is lack of uniform disclosure standards, which complicates measurement and reporting of ESG-related activities. In fact, **46 percent** of respondents cite the lack of uniform standards as the most challenging aspect of providing oversight to ESG issues.

3. Climate issues increasingly feature in board discussions

Forty-four percent of respondents indicate that the frequency of climate change-related board discussions has increased over the past two years. This increase in board focus coincides with a slight increase in more concrete action by the companies these respondents oversee. **Forty-six percent** of respondents indicate that their company now has established climate targets, and that they are on track or ahead of schedule in reaching these targets, compared to **43 percent** last year.

4. As board engagement on human capital grows, more formal oversight practices are emerging

Boards are just starting to formalize their oversight of human capital issues. Only **34 percent** have delegated specific human capital oversight elements to relevant committees and only **52 percent** have discussed human capital strategy as a recurring agenda item.

While **82 percent** of respondents feel that their board has the expertise to oversee human capital related risk, far fewer boards are actively probing how well human capital is managed across the enterprise. These boards are starting to apply the same rigor to human capital oversight as they do to financial reporting and strategy. For example, **36 percent** assess how human capital drives performance and **44 percent** evaluated the effectiveness of the CHRO.

5. Board culture can be undermined by problematic individuals and group dynamics—and virtual meetings

Thirty percent of respondents considered problematic individuals to be among the most significant barriers to sustaining an effective board culture, underlining the impact of each individual director. Group dynamics also have an effect, with **22 percent** of respondents noting the deleterious effects of silos and subgroups of directors. Many boards have gained efficiencies through the use of virtual meetings, but excessive use of such meetings may exacerbate these barriers. A quarter of directors indicate that the lack of in-person interactions during virtual meetings has diminished the quality of discussion (**26%**) or board collegiality (**26%**).

Snapshots

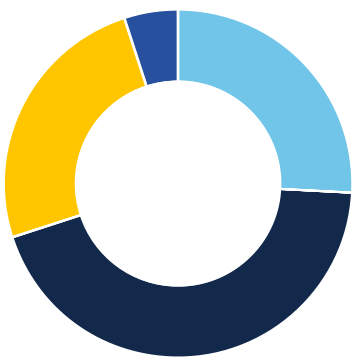
Board focus on artificial intelligence is in its early stages

KEY INSIGHT More than a quarter (**26.2%**) of respondents indicate that the increased adoption of AI technologies will impact their business to a great extent. Less than **five percent** indicate that it will not impact their business at all (**4.6%**). Yet only **28 percent** of respondents indicate that the topic of artificial intelligence features regularly in board conversations.

WHY IT MATTERS The current AI revolution has been compared by some to the advent of the Internet in terms of the potential breadth and depth of its impact. While still imperfect, AI will only improve and proliferate. Yet, this is not a technology with which many boards, or even management teams, have deep experience. In fact, less than **10 percent** of respondents feel their management teams are "very" or "extremely" proficient with AI technologies.

WHAT BOARDS SHOULD DO Just as with other emerging technologies, boards need to think about both the risks and opportunities associated with AI. Directors should educate themselves about how AI impacts their business models. Boards should seek answers from management about whether and how the company is already using the technology, and who is responsible for it. If, as many predict, AI continues to become a bigger issue for boards, directors should think about how they plan to address it. For example, who will report to the board on AI issues, and what group on the board is best positioned to examine new developments related to this technology?

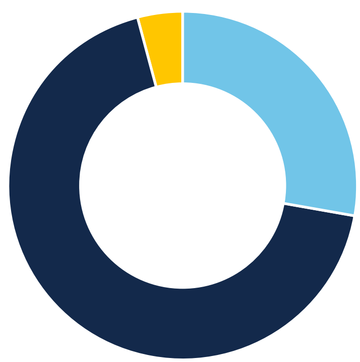
To what extent will the increased adoption of artificial intelligence technologies impact your business?



- 26% To a great extent
- 44% To a moderate extent
- 25% To a slight extent
- 5% Not at all

n=260

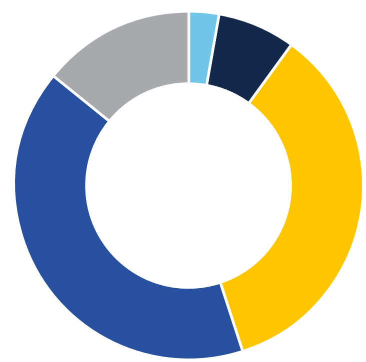
Does the topic of artificial intelligence feature regularly in board conversations?



- 28% Yes
- 68% No
- 4% Not sure

n=263

How proficient is your management team with artificial intelligence?



- 3% Extremely proficient
- 7% Very proficient
- 35% Moderately proficient
- 41% Slightly proficient
- 14% Not proficient at all

n=254

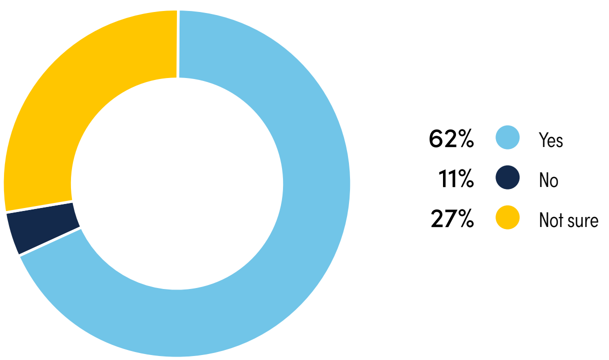
Boards steadfast in focus on ESG, but challenged by unclear standards

KEY INSIGHT A majority (**62%**) of respondents believe that ESG programs create long-term value within their organizations, more than half (**58%**) indicate that ESG issues have increased in priority, and a majority of respondents indicate their board has undertaken a range of ESG oversight practices in the past year. Yet, **64 percent** indicate that they are only moderately effective in integrating ESG into the company strategy, and another **15 percent** said that their board was not effective at all at this. The lack of uniform disclosure standards remains a barrier. In fact, nearly half of respondents (**46% vs. 37% in 2022**) indicated that the lack of uniform disclosure standards is the most challenging aspect of providing oversight to ESG issues.

WHY IT MATTERS The ESG landscape and focus has changed greatly in the last 12 months. Notably, public criticism of corporate ESG practices has shifted and ESG has received considerably more scrutiny from regulators, politicians, and media. Directors, for their part, appear not to have wavered in their prioritization of ESG issues and seem unfazed by the recent backlash. Challenges persist regarding the lack of uniformity with respect to ESG disclosure standards and requirements. The considerable domestic and international disclosure standards overhaul is contributing to that outcome. The understanding of ESG, the scope and the application of ESG principles to organizations, and the effective governance of ESG will continue to evolve.

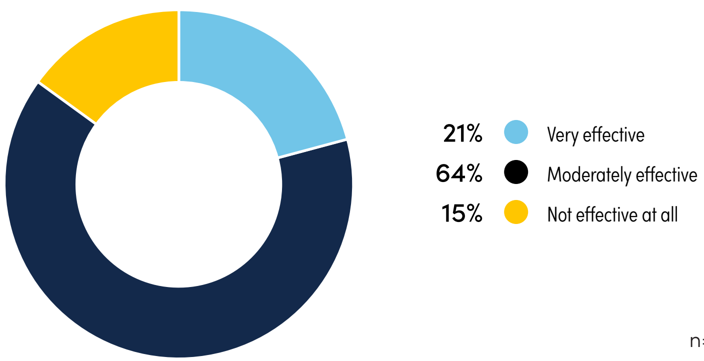
WHAT BOARDS SHOULD DO Board directors should continue to increase the integration of ESG into corporate strategy, which will help enhance their company's ability to mitigate risks, seize opportunities, and enhance long-term success. They should also continue to focus on what ESG means for their organizations by considering which elements of ESG are mission-critical to their company and how the board executes its oversight responsibilities.

Do you believe that ESG programs create long-term value within your organization?



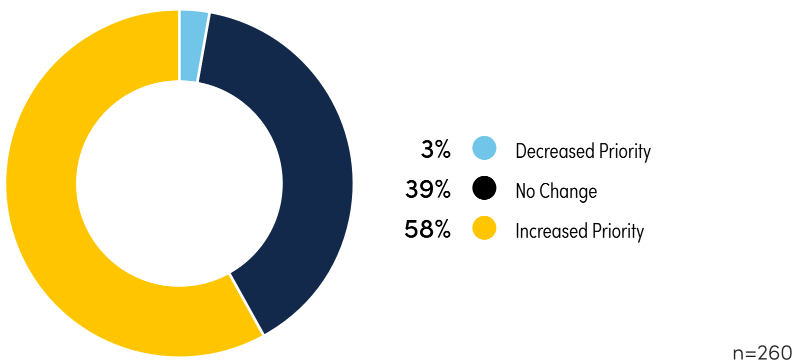
n=266

How effective is your board at integrating ESG into company strategy?

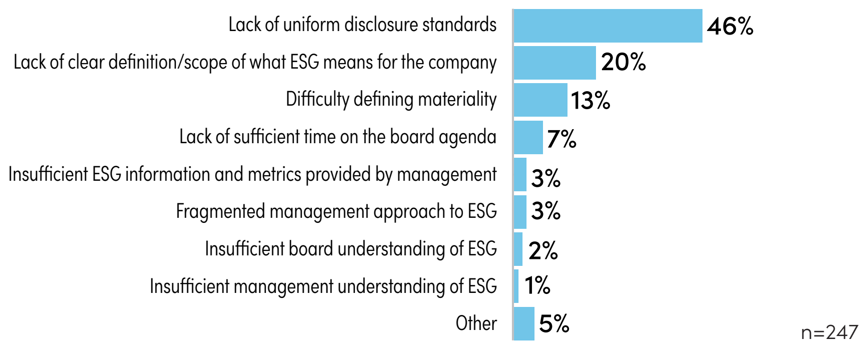


n=262

How would you describe your board's prioritization of ESG issues?



What do you find most challenging in providing oversight of ESG matters?



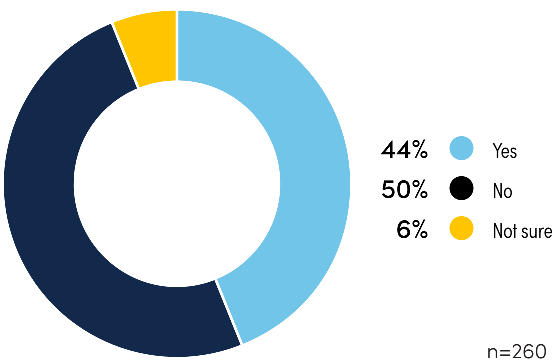
Climate issues increasingly feature in board discussions

KEY INSIGHT Board focus on climate change is increasing, but the focus varies widely. For example, nearly three-quarters of respondents in the Energy/Materials sector indicate that the frequency of climate related discussions has increased at the board level. In no other sector did more than half of respondents say the same. Across all sectors, **46 percent** of respondents indicate that their company has climate targets, and that they are on track or ahead of schedule in reaching these targets. At the same time, a similar percentage report that their company does not have climate performance targets.

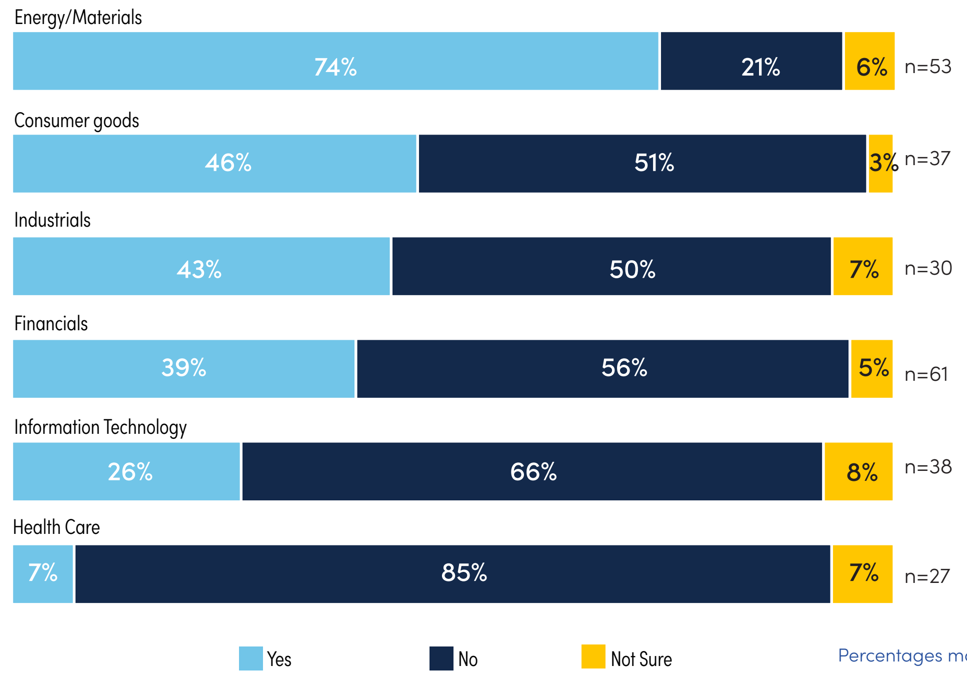
WHY IT MATTERS The impact of climate related risks on organizations is expected to increase in coming years. For example, **40 percent** of respondents indicate that unprecedented weather patterns are likely to have an impact on their companies and supply chains, and just over a fifth of respondents flag impacts of water management and global temperature increases. Organizations are also facing evolving regulatory requirements and stakeholder expectations on climate performance, including emissions, water management, and biodiversity.

WHAT BOARDS SHOULD DO Nearly **40 percent** of respondents noted that climate risk and strategy is an important ESG skill for their board to acquire. Boards should continue to examine the material impacts of climate changes on their organizations and take a holistic perspective on climate risks and opportunities. Even those industries that until now have felt few direct impacts are likely to encounter the second order effects of such changes as partners and suppliers are increasingly impacted by climate-related physical events and related climate transitions.

Has the frequency of climate change discussions increased on your board's agenda in the last two years?

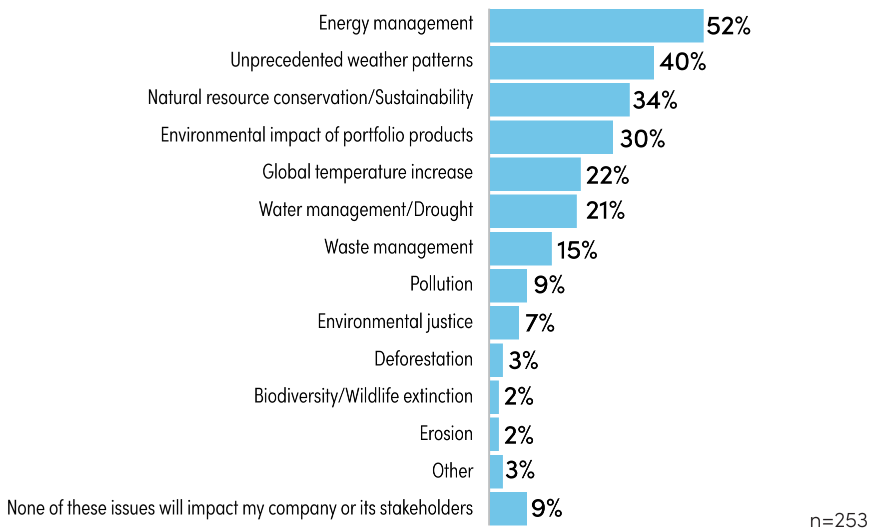


Has the frequency of climate change discussions increased? (by sector)

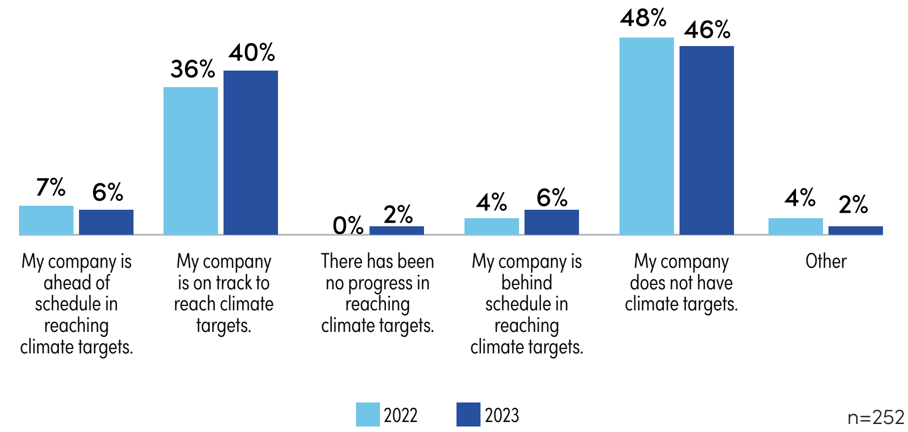


Percentages may be +/- 100 due to rounding

Which of the following trends are most likely to adversely impact your company (including supply chains, joint ventures, subsidiaries, etc.) in the next 5 to 10 years? (Select all that apply.)



How would you describe your company's progress in reaching its climate targets?



As board engagement on human capital grows, more rigorous oversight practices are emerging

KEY INSIGHT A minority of boards are starting to actively probe how well human capital is managed across the enterprise. This is the next set of practices that put human capital oversight on equal footing with financial reporting and strategy oversight. For example, **36 percent** assess how human capital is driving business performance, **37 percent** have communicated what management metrics they want to see on human capital, and **44 percent** evaluate the effectiveness of the CHRO, a role that is increasingly a C-suite level, strategic role.

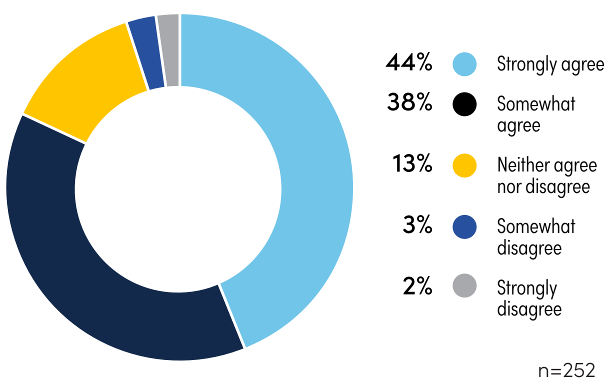
There is an opportunity for most boards to adopt key practices that will strengthen oversight efforts. And, while **82 percent** of respondents indicate that their board has the expertise to oversee human capital related risk, only **52 percent** have assessed human capital specific experience/expertise on their board.

WHY IT MATTERS The pandemic exacerbated workforce-related issues, and companies are grappling with the continuing effects: a tight labor market, a highly competitive market for talent, changing worker expectations, a resurgence of labor organizing,[1] and a growing mental health crisis, among others. In addition, stakeholders' expectations of corporations have increased and demands for action and transparency related to topics such as diversity, equity, and inclusion (DE&I) have increased, and the SEC is anticipated to require more disclosure of human capital matters this year. While most directors have extensive management experience, the increasing complexity and expanded scope (beyond executive compensation and CEO succession planning) of workforce-related issues require a deeper board expertise and significant experience with talent and culture.

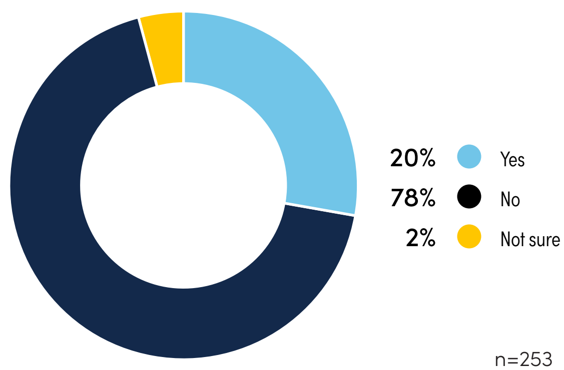
WHAT BOARDS SHOULD DO To ensure adequate governance of human capital topics, boards should review charters and allocate human capital issues to specific committees. For example, only **34 percent** have delegated specific human capital oversight elements to relevant committees. (The majority of boards delegate oversight to the compensation committee.[2]) In addition, boards should communicate clear expectations of the metrics needed for board and committee level reporting.

With talent as a top concern of directors, boards should assess the depth of expertise required to oversee human capital strategies. The role of the company's human resources leadership (e.g., the CHRO) has become increasingly critical; however, only **44 percent** of respondents have assessed their effectiveness.

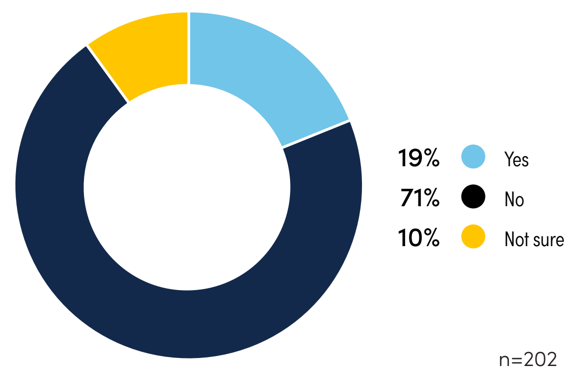
My board has the expertise to oversee key human capital related risks.



Are the workers of your company represented by a union?



Has your board considered the implications of labor organizing on the company's business?



Percentages may be +/- 100 due to rounding

[1] See *Unionization on the Rise: What Boards Should Know.*
[2] See the *Compensation Committee Blueprint* for more guidance.

Which of the following human capital-oversight practices has your board performed over the past 12 months? (Select all that apply.)

n=254

Board culture can be undermined by problematic individuals and group dynamics—and virtual meetings

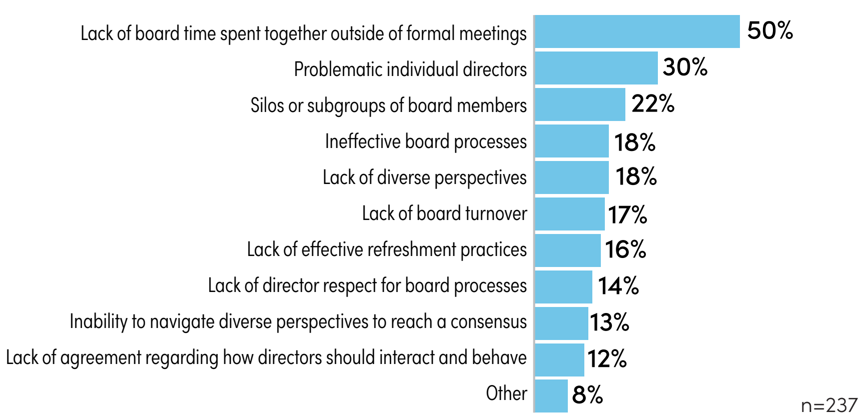
KEY INSIGHT Efforts to create and sustain an effective board culture can be undermined by both problematic individuals and group dynamics. When asked about the barriers to an effective board culture, **30 percent** of respondents considered problematic individuals to be among the most significant, underlining the impact of each individual director. Group dynamics also affect board culture, with **22 percent** of respondents noting the deleterious effects of silos and subgroups of directors. These factors can be aggravated by the amount and nature of director interaction, with more than half (**50.2%**) of respondents indicating that the biggest barrier to creating and sustaining an effective board culture is the lack of time directors spend together outside of formal meetings. Simultaneously, a quarter of directors indicate that the lack of in-person interaction associated with virtual meetings has diminished both the quality of discussion (**26.2%**) and board collegiality (**26.2%**).

WHY IT MATTERS As boards cope with intensifying expectations about their performance and are increasingly refreshing their composition, board cultures are being tested. As noted in NACD's *Future of the American Board* report, "A healthy board culture is characterized by an environment where directors feel supported in expressing differing points of view and engaging in candid discussion."[3] The COVID-19 pandemic reduced the number of opportunities for directors to engage with each other outside of the formal board setting. Meanwhile, a new and increasingly diverse director class is joining boards. Boards may not reap the benefits of these new directors' perspectives if they feel hesitant about offering their points of view.

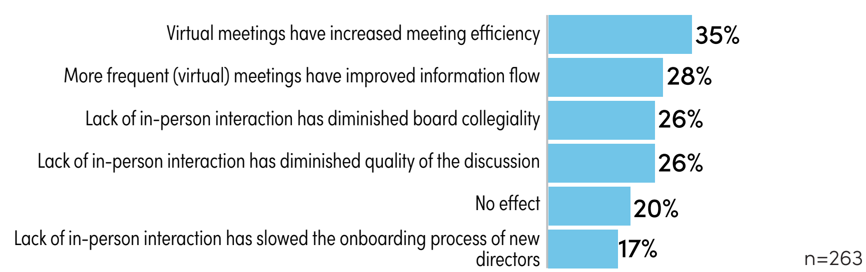
WHAT BOARDS SHOULD DO Boards should consider how they can become more intentional about shaping and reinforcing their board culture. The director onboarding process represents a key opportunity to introduce new board members to the values, norms, and dynamics of the board. Specific practices, such as ongoing director mentorship programs, can expedite the integration of new directors.

Consideration should also be given to the impact of virtual meetings on board dynamics. Board leaders should be on the lookout for signs that the lack of in-person interaction is negatively affecting the board's ability to work productively together. Periodic interaction outside of the formal boardroom setting may also help build trust among directors that can encourage candor inside the boardroom.

Which issues do you regard as the biggest barriers to creating and sustaining an effective board culture? (Select all that apply.)



How have virtual meetings affected your board's culture? (Select all that apply.)



[3] NACD, *The Future of the American Board Report: A Framework for Governing into the Future* (Arlington, VA; NACD, 2022), p. 46.

Appendix

To what extent will the increased adoption of artificial intelligence technologies impact your business?

To a great extent	26.15%
To a moderate extent	43.85%
To a slight extent	25.38%
Not at all	4.62%

n=260

How proficient is your management team with artificial intelligence?

Extremely proficient	2.76%
Very proficient	6.69%
Moderately proficient	35.04%
Slightly proficient	41.34%
Not proficient at all	14.17%

n=254

Does the topic of artificial intelligence feature regularly in board conversations?

Yes	27.76%
No	68.06%
Not Sure	4.18%

n=263

To which group has the board allocated the majority of tasks connected to the oversight of artificial intelligence?

The full board	69.89%
Technology committee	11.36%
Audit committee	7.95%
Risk committee	4.55%
Other	6.25%

n=176

Which of the following ESG oversight practices has your board performed over the last 12 months? (Select all that apply.)

Reviewed ESG-related risks and opportunities for the company	67.54%
Worked to improve the company's reporting about ESG-related efforts to investors or stakeholders	65.67%
Worked to improve the board's understanding of the company's current ESG-related performance	60.07%
Discussed the company's strategy for engaging with external stakeholders, such as investors, on ESG	57.46%
Worked with management to define what ESG means for the company	56.72%
Assigned clear ESG oversight responsibilities to specific committees	55.97%
Updated committee charters to reflect committees' structures and responsibilities for ESG issues	53.36%
At least one director participated in individual-director educational activities (attending webinars, classes, symposia, etc.) to learn more about how ESG-related issues could affect the business	50.75%
Integrated ESG into the company's strategy	47.76%
Discussed the financial material impact of ESG on the organization	42.16%
Engaged in collective board education on ESG	39.55%
Engaged with a consultant to help the board and management sharpen their knowledge of ESG	28.73%
Incorporated ESG measures into executive pay	28.73%
Recruited a board member who has experience related to ESG	11.94%
Took a stand on a social or political issue	8.58%
My board has not focused on environmental or social issues over the past 12 months	2.99%
Other	1.49%

n=268

What do you find most challenging in providing oversight of ESG matters?

Lack of uniform disclosure standards	46.15%
Lack of clear definition/scope of what ESG means for the company	19.84%
Difficulty defining materiality	12.96%
Lack of sufficient time on the board agenda	6.88%
Fragmented management approach to ESG	2.83%
Insufficient ESG information and metrics provided by management	2.83%
Insufficient board understanding of ESG	2.43%
Insufficient management understanding of ESG	1.21%
Other	4.86%

Percentages may be +/- 100 due to rounding

n=247

Do you believe that ESG programs create long-term value within your organization?

Yes	62.41%
No	10.53%
Not sure	27.07%

Percentages may be +/- 100 due to rounding
n=266

How effective is your board at integrating ESG into company strategy?

Very effective	21.37%
Moderately effective	63.74%
Not effective at all	14.89%

Percentages may be +/- 100 due to rounding
n=262

Which of the following are the most pertinent ESG topics your board has discussed in the past 12 months? (Please select your top three.)

Diversity, equity, and inclusion	53.64%
Health and safety of employees	41.00%
Human capital management	39.08%
Company culture	32.57%
Community engagement	18.39%
Energy management	18.39%
Data privacy	17.62%
Environmental impact of portfolio products	16.09%
Natural resource conservation/Sustainability	13.79%
Unprecedented weather patterns	6.51%
Water management/Drought	5.75%
Global temperature increase	3.07%
Waste management	3.07%
Political activity/spending	2.30%
Employee rights	1.92%
Pollution	1.53%
Human rights	1.53%
Environmental justice	1.15%
Organized labor	1.15%
Biodiversity/Wildlife extinction	0.38%
Deforestation	0.38%
Political speech	0.00%
Other	1.53%
Our board has not discussed any ESG topics over the last 12 months.	3.07%

n=261

To what extent do you agree or disagree that ESG expertise is important to your board?

Strongly agree	21.67%
Somewhat agree	34.22%
Neither agree nor disagree	23.19%
Somewhat disagree	15.21%
Strongly disagree	5.70%

n=263

In which of the following areas does your board have expertise?

Talent and corporate culture	76.68%
Corporate culture	67.98%
Diversity and inclusion efforts	67.98%
Employee engagement	64.82%
Overall ESG strategy	50.20%
Community relations	45.06%
Workforce planning	45.06%
Climate risk/strategy	25.69%
Carbon emissions	18.18%

n=253

Which of the following ESG skills is it most important for your board to acquire? (Please select your top three.)

Overall ESG strategy	50.85%
Climate risk/strategy	38.89%
Talent and corporate culture	30.34%
Carbon emissions	22.65%
Diversity and inclusion efforts	20.51%
Employee engagement	18.80%
Corporate culture	17.52%
Community relations	11.54%
Workforce planning	9.83%

n=234

How would you describe your board's prioritization of ESG issues?

Decreased priority	3.08%
No change	39.23%
Increased priority	57.69%

n=260

To which group has the board allocated the majority of tasks connected to the oversight of ESG?

The full board	41.77%
Nominating/governance committee	38.61%
ESG/CSR committee	10.44%
Other	9.18%

n=316

Which of the following executives report to the board on ESG? (Select all that apply.)

Chief Executive Officer	64.69%
General Counsel	50.70%
Chief Human Resources Officer	22.03%
Business Unit Leaders	19.58%
Chief Financial Officer	19.58%
Chief Internal Audit Officer	17.48%
Head of Investor Relations	16.78%
Compliance Officer	14.69%
Chief Operating Officer	12.24%
Chief Technology Officer	5.24%
Chief Information Security Officer	2.80%
Chief Information Officer	2.10%
Other	11.19%

n=286

How has the quality of information provided to you by management on ESG changed over the last two years?

Much higher quality	47.86%
Slightly higher quality	33.85%
About the same quality	17.12%
Slightly lower quality	0.39%
Much lower quality	0.78%

n=257

When does the board discuss ESG? (Select all that apply.)

Quarter 1	47.18%
Quarter 2	48.94%
Quarter 3	47.18%
Quarter 4	48.94%
Ad hoc	31.34%
Never	2.11%

n=284

Has the frequency of climate change discussions increased on your board's agenda in the last two years?

Yes	43.85%
No	50.38%
Not sure	5.77%

n=260

Which of the following trends are most likely to adversely impact your company (including supply chains, joint ventures, subsidiaries, etc.) in the next 5 to 10 years? (Select all that apply.)

Energy management	51.78%
Unprecedented weather patterns	39.92%
Natural resource conservation/Sustainability	33.99%
Environmental impact of portfolio products	29.64%
Global temperature increase	22.13%
Water management/Drought	21.34%
Waste management	14.62%
Pollution	8.70%
Environmental justice	6.72%
Deforestation	3.16%
Erosion	2.37%
Biodiversity/Wildlife extinction	1.98%
Other	3.16%
None of these issues will impact my company or its stakeholders.	9.49%

n=253

How would you describe your board's attitude in regard to climate change?

Top priority being discussed at all levels of the company	11.97%
An issue, but not a top priority within the company	47.10%
An important topic that needs more attention	24.32%
Not a concern for our company	16.60%

Percentages may be +/- 100 due to rounding

n=259

How would you describe your company's progress in reaching its climate targets?

My company does not have climate targets.	45.63%
My company is on track to reach climate targets.	40.08%
My company is ahead of schedule in reaching climate targets.	5.56%
My company is behind schedule in reaching climate targets.	5.56%
Other	1.59%
There has been no progress in reaching climate targets.	1.59%

Percentages may be +/- 100 due to rounding

n=252

Which of the following human capital oversight practices has your board performed over the past 12 months? (Select all that apply.)

Management reported key human capital metrics to the board	70.47%
Discussed enterprise-wide talent strategy (approach to sourcing, hiring, onboarding, engaging, and retaining talent)	66.93%
Evaluated the CEO's performance as a steward of the firm's human capital	62.99%
Assessed human capital-specific experience and expertise to identify board gaps (e.g., a board's skills matrix)	51.97%
Discussed human capital strategy as a recurring agenda item	51.57%
Reviewed existing charters to ensure adequate oversight of human capital	44.88%
Management offered a forward-looking talent assessment based on shifting strategic needs	44.49%
Evaluated the effectiveness of the company's human resources leadership (e.g., the Chief Human Resources Officer)	43.70%
Communicated to management clear expectations for board-level reporting about human capital	37.01%
Assessed how human capital is driving business performance	35.83%
Delegated specific elements of human capital oversight to relevant committees	34.25%
Disclosed human capital metrics and/or objectives publicly	33.46%
Requested that management provide a human capital component in every strategic initiative presented to the board	17.32%
Conducted a third-party audit of the company's human capital practices	9.45%

n=254

About which of the following topics has the board received metrics from management? (Select all that apply.)

Retention	85.71%
Succession planning	78.97%
Compensation	77.78%
Employee satisfaction and engagement	75.00%
Workforce composition	72.22%
Recruitment	55.95%
Training and development	53.57%
Benefits	49.60%
Inclusion	37.70%
Equity	32.14%
Leadership trust and integrity	30.95%
Mental health and wellbeing	13.89%
Productivity	11.11%
Workplace dignity	8.73%
Other	1.19%

n=252

To what extent do you agree or disagree with the following statements?

	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT AGREE	STRONGLY AGREE	n=
My board's understanding of human capital today has significantly improved, compared to two years ago.	1.60%	4.40%	24.00%	41.60%	28.40%	250
My board's level of involvement in human capital issues has increased over the past 12 months.	1.20%	6.37%	21.51%	39.04%	31.87%	251
Our company is well-positioned to develop an effective workforce for the future.	1.59%	6.35%	14.68%	48.81%	28.57%	252
Our board understands the future of work at our business and how it will impact our human capital strategy.	3.17%	5.95%	8.33%	48.02%	34.52%	252
My own understanding of the company's current and future talent needs is strong enough to provide effective oversight.	2.40%	3.60%	12.40%	41.60%	40.00%	250
Collectively, my board's understanding of the company's current and future talent needs is strong enough to provide effective oversight.	1.60%	5.60%	10.80%	42.00%	40.00%	250
My board has the expertise to oversee key human capital related risks.	2.38%	2.78%	12.70%	38.49%	43.65%	252

Percentages may be +/- 100 due to rounding

Are the workers of your company represented by a union?

Yes	19.76%
No	77.87%
Not sure	2.37%

n=253

Has your board considered the implications of labor organizing on the company's business?

Yes	18.81%
No	71.29%
Not Sure	9.90%

n=202

To which group has the board allocated the majority of tasks connected to the oversight of human capital?

Compensation committee	56.19%
The full board	31.43%
Nominating and governance committee	5.71%
Other	6.67%

n=315

How has the quality of information provided to you by management on human capital issues changed over the last two years?

Much higher quality	32.68%
Slightly higher quality	39.69%
About the same quality	26.85%
Slightly lower quality	0.78%
Much lower quality	0.00%

n=257

Which of the following executives report to the board on human capital? (Select all that apply.)

Chief Human Resources Officer	81.23%
Chief Executive Officer	60.75%
Business Unit Leaders	22.18%
General Counsel	15.36%
Chief Operating Officer	11.26%
Chief Financial Officer	9.90%
Compliance Officer	8.19%
Chief Internal Audit Officer	5.46%
Chief Information Security Officer	2.05%
Chief Technology Officer	2.05%
Chief Information Officer	1.37%
Head of Investor Relations	1.02%
Other	1.71%

n=293

When does the board discuss human capital issues? (Select all that apply.)

Quarter 1	53.24%
Quarter 2	53.60%
Quarter 3	52.52%
Quarter 4	57.91%
Ad hoc	24.10%
Never	1.08%

n=278

To what extent do you agree or disagree with the following statements?

	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT AGREE	STRONGLY AGREE	n=
Overall, I believe my board's culture is effective.	9.33%	5.22%	5.97%	22.39%	57.09%	268
I believe my board's culture is inclusive of its members' differing facets of identity, backgrounds, expertise, and perspectives.	8.92%	4.09%	7.81%	21.56%	57.62%	269
I believe my board's culture is conducive to effective board action during a crisis.	10.07%	2.61%	4.85%	20.90%	61.57%	268

Which issues do you regard as the biggest barriers to creating and sustaining an effective board culture? (Select all that apply.)

Lack of board time spent together outside of formal meetings	50.21%
Problematic individual directors	30.38%
Silos or subgroups of board members	22.36%
Lack of diverse perspectives	18.14%
Ineffective board processes	17.72%
Lack of board turnover	17.30%
Lack of effective refreshment practices	16.03%
Lack of director respect for board processes	13.50%
Inability to navigate diverse perspectives to reach a consensus	12.66%
Lack of agreement regarding how directors should interact and behave	12.24%
Other	7.59%

n=237

Which factors have contributed the most to strengthening your board culture? (Select all that apply.)

Diversity of thought, expertise, and experience	75.43%
Healthy board-management relationship	71.55%
An effective board chair or lead independent director	68.53%
An environment conducive to candid conversations	68.10%
Effective use of executive sessions	56.03%
Shared understanding of governance fundamentals	42.67%
Demographic diversity (e.g., race/ethnicity, gender, age)	41.38%
Opportunities to build rapport outside of meetings	28.02%
Shared behavioral norms adopted by board	24.57%
Consistent adoption of board processes	23.28%
Expectations set during onboarding	15.95%
Other	3.02%

n=232

How does the board assess its culture?
(Select all that apply.)

Assessment conducted as part of the full board evaluation process	74.90%
Informally (e.g., by making time for reflective conversation in executive sessions)	40.15%
Dedicated board culture assessment separate from full board, committee, or individual director evaluations	6.18%

n=259

How have virtual meetings affected your board's culture?
(Select all that apply.)

Virtual meetings have increased meeting efficiency	34.60%
More frequent (virtual) meetings have improved information flow	28.14%
Lack of in-person interaction has diminished board collegiality	26.24%
Lack of in-person interaction has diminished quality of the discussion	26.24%
No effect	19.77%
Lack of in-person interaction has slowed the onboarding process of new directors	17.11%

n=263

How frequently are the following evaluated in your board evaluation process?

	MORE OFTEN THAN ANNUALLY	ANNUALLY	EVERY TWO YEARS	EVERY THREE YEARS	LESS OFTEN THAN ONCE EVERY THREE YEARS	NEVER	n=
Full board performance	0.40%	86.17%	4.35%	0.79%	1.58%	6.72%	253
Individual director performance	0.40%	63.75%	7.57%	3.59%	4.38%	20.32%	251

Percentages may be +/- 100 due to rounding

How would you rate the effectiveness of your board's evaluation process at improving the following areas?

	NOT EFFECTIVE AT ALL	SLIGHTLY EFFECTIVE	MODERATELY EFFECTIVE	VERY EFFECTIVE	EXTREMELY EFFECTIVE	n=
Director performance	8.54%	14.63%	37.80%	34.55%	4.47%	246
Board culture	5.76%	14.81%	28.40%	43.21%	7.82%	243
Quality of board dialogue	4.90%	12.65%	24.49%	48.98%	8.98%	245
Board operations	4.47%	12.20%	22.76%	50.41%	10.16%	246
Committee effectiveness	4.07%	12.20%	23.17%	51.22%	9.35%	246
Board meeting effectiveness	3.67%	10.20%	27.76%	48.98%	9.39%	245

Percentages may be +/- 100 due to rounding

To what extent do you agree or disagree with the following statement?

	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT AGREE	STRONGLY AGREE	n=
The board-management relationship is effective at my organization.	10.77%	4.23%	3.85%	28.46%	52.69%	260

Over the past 12 months, how do you believe the board's relationship with management has changed?

Improved	53.82%
No change	40.08%
Worsened	6.11%

Percentages may be +/- 100 due to rounding

n=262

What issues do you regard as the biggest barriers to building and sustaining an effective board-management relationship? (Select all that apply.)

Information flow issues between the board and management	52.22%
Poor communication with respect to board expectations of management	32.51%
Unclear delineation of the role of the board versus the role of management	32.51%
Quality of reporting from management	31.03%
Management team is defensive	28.08%
Dysfunctional board chair-CEO relationship	18.23%
Complications derived from the combination of board chair and CEO roles	10.34%
Other	4.43%

n=203

Which of the following actions has your board taken to strengthen its relationship with management within the past 12 months? (Select all that apply.)

Improved board book and pre-read materials from management	56.47%
Worked with management to improve quality of reporting	51.37%
Attended social events with management outside of regular board meetings	50.20%
Increased communication between CEO and board chair or lead independent director	42.75%
Solicited management feedback as part of the board evaluation process	32.94%
Clearly defined the roles and expectations of the board and management	21.57%
None – my board has not worked to strengthen its relationship with management within the past 12 months	5.49%
Other	3.53%

n=255

To which group has the board allocated the majority of tasks connected to the oversight of cybersecurity?

Audit committee	44.06%
The full board	37.50%
Risk committee	8.75%
Other	9.69%

n=320

Which of the following executives report to the board on cybersecurity? (Select all that apply.)

Chief Information Officer	53.20%
Chief Information Security Officer	49.49%
Chief Executive Officer	47.81%
Chief Technology Officer	31.99%
Chief Financial Officer	31.65%
General Counsel	23.23%
Chief Internal Audit Officer	21.89%
Chief Operating Officer	13.80%
Compliance Officer	13.80%
Business Unit Leaders	10.44%
Head of Investor Relations	2.69%
Chief Human Resources Officer	1.68%
Other	3.37%

n=297

How has the quality of information provided to you by management on cybersecurity changed over the last two years?

Much higher quality	50.96%
Slightly higher quality	32.18%
About the same quality	16.48%
Slightly lower quality	0.38%
Much lower quality	0.00%

n=261

When does the board discuss cybersecurity? (Select all that apply.)

Quarter 1	61.32%
Quarter 2	61.32%
Quarter 3	60.28%
Quarter 4	59.58%
Ad hoc	21.95%
Never	1.05%

n=287

To which group has the board allocated the majority of tasks connected to the oversight of DE&I?

The full board	41.21%
Compensation committee	28.12%
Nominating/governance committee	18.85%
Other	11.82%

n=313

Which of the following executives report to the board on DE&I? (Select all that apply.)

Chief Human Resources Officer	71.43%
Chief Executive Officer	55.75%
General Counsel	23.34%
Business Unit Leaders	18.47%
Chief Operating Officer	9.06%
Compliance Officer	9.06%
Chief Financial Officer	8.01%
Chief Internal Audit Officer	6.27%
Head of Investor Relations	4.53%
Chief Technology Officer	1.74%
Chief Information Officer	1.39%
Chief Information Security Officer	1.05%
Other	3.14%

n=287

How has the quality of information provided to you by management on DE&I changed over the last two years?

Much higher quality	34.77%
Slightly higher quality	38.28%
About the same quality	25.78%
Slightly lower quality	0.78%
Much lower quality	0.39%

n=256

When does the board discuss DE&I? (Select all that apply.)

Quarter 1	37.23%
Quarter 2	40.78%
Quarter 3	38.30%
Quarter 4	40.78%
Ad hoc	35.46%
Never	2.48%

n=282

Does your board have a formal onboarding program for all new directors?

Yes	69.29%
No	26.77%
Not sure	3.94%

n=254

When you joined the board, how long did it take you to get acclimated to the board's culture?

Less than six months	39.84%
Six months to one year	37.85%
More than one year	15.54%
Ongoing, I have only joined this board recently.	3.59%
Ongoing, I have yet to acclimate to my board's culture.	3.19%

Percentages may be +/- 100 due to rounding

n=251

Which of the following components are included in your board's onboarding program to acclimate new directors to the board's culture? (Select all that apply.)

Meetings with members of the executive team	87.65%
Reading material that introduces new directors to the company's strategy, financials, and business information	83.95%
Meetings with members of the board	79.42%
Visits to company facilities/factories/brick-and-mortar locations	48.97%
Attendance at meetings of key board committees	48.15%
Onboarding program is tailored to new directors' needs and backgrounds	32.51%
Director-education programming offered through a third-party/ consulting company	22.63%
Meetings with division representatives below the executive team	21.81%
Meetings with the company's investor-relations function	20.99%
Temporary assignment of a dedicated mentor who serves on the board	18.52%
Other	2.06%

n=243

Which of the following best describes your status with respect to the board for which you are taking this survey?

Independent director	86.89%
General counsel/Corporate secretary	5.18%
Other corporate executive	5.18%
CEO	1.83%
Executive director	0.91%
Nonindependent, nonexecutive director	0.61%
Nonvoting attendee	0.30%
None of the above	0.00%

Percentages may be +/- 100 due to rounding

n=328

Please indicate your race/ethnicity below.

White	77.05%
Black or African American	7.38%
Prefer not to say	6.15%
Asian	4.51%
Other	4.10%
American Indian or Alaska Native	0.82%

Percentages may be +/- 100 due to rounding

n=244

Market Capitalization

Mega-Cap: Greater than or equal to $200 billion	0.91%
Large-Cap: $10 billion to $200 billion	21.34%
Mid-Cap: $2 billion to $10 billion	37.50%
Small-Cap: $300 million to $2 billion	25.91%
Micro-Cap: $50 million to $300 million	10.67%
Nano-Cap: Less than $50 million	3.66%

Percentages may be +/- 100 due to rounding

n=328

Annual Revenue

Greater than or equal to $100 billion	1.83%
$50 billion to $100 billion	2.74%
$10 billion to $50 billion	11.89%
$5 billion to $10 billion	10.06%
$1 billion to $5 billion	31.40%
$750 million to $1 billion	7.93%
$500 million to $750 million	6.71%
$250 million to $500 million	8.23%
$100 million to $250 million	3.96%
$50 million to $100 million	5.49%
$25 million to $50 million	0.91%
$10 million to $25 million	3.05%
Less than $10 million	5.79%

Percentages may be +/- 100 due to rounding

n=328

Board Standing Committees (Respondent selected all that applied)

Audit	96.95%
Compensation	94.51%
Nominating and governance	92.68%
Executive	19.51%
Risk	17.99%
Sustainability/Environmental, social, and governance (ESG)/Corporate social responsibility (CSR)	16.16%
Finance	15.24%
Technology	12.20%
HR/Management development	8.84%
Strategy	5.79%
Investment	5.18%
Legal/Compliance	4.27%
Employee benefits/Retirement plan	2.74%
Other	14.63%

n=328

Sector

Financials	22.67%
Information Technology	16.46%
Industrials	12.42%
Materials	11.18%
Health Care	9.94%
Consumer Discretionary	9.63%
Energy	9.01%
Consumer Staples	4.35%
Utilities	2.80%
Telecommunication Services	1.55%

Percentages may be +/- 100 due to rounding

n=322

Which of the following best describes the business entity on behalf of which you are taking this survey?

Corporation	96.34%
Limited Liability Company (LLC)	2.13%
Partnership	1.22%
Cooperative	0.30%

Percentages may be +/- 100 due to rounding

n=328

About NACD

ABOUT NACD

The National Association of Corporate Directors (NACD) is the premier membership organization for board directors who want to expand their knowledge, grow their network, and maximize their potential.

As the unmatched authority in corporate governance, NACD sets the standards of excellence through its research and community-driven director education, programming, and publications. Directors trust NACD to arm them with the relevant insights to make high-quality decisions on the most pressing and strategic issues facing their businesses today.

NACD also prepares leaders to meet tomorrow's biggest challenges. The NACD Directorship Certification® is the leading director credential in the United States. It sets a new standard for director education, positions directors to meet boardroom challenges, and includes an ongoing education requirement that prepares directors for what is next.

With an ever-expanding community of more than 23,000 members and a nationwide chapter network, our impact is both local and global. NACD members are driven by a common purpose: to be trusted catalysts of economic opportunity and positive change—in business and in the communities we serve.

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