

Corporate Board Survey Results: 2021 Trends & Insights

February 2021

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2021: Summary

JWC Partners' 2021 survey of board directors reveals new insights about board challenges with a largely virtual environment in 2020-21 and increased focus on ESG; we are delighted to share these with you. Key findings:

Strategy, Leadership and Technology in the Boardroom

- Leadership succession and strategy continue to be top issues in the boardroom.
- Directors see ESG and technology as top issues of the future.

Board Refreshment

- IT and ESG experience are the most under-represented skills in the boardroom. Millennial/Gen-Z perspective is new to the list and also ranked high as a needed skill for the future.
- Most boards anticipate replacing one to two directors in 2020-21.
- Directors believe their boards can on-board new directors effectively in a largely virtual environment, but recognize challenges in their processes.

Environmental/Social/Governance

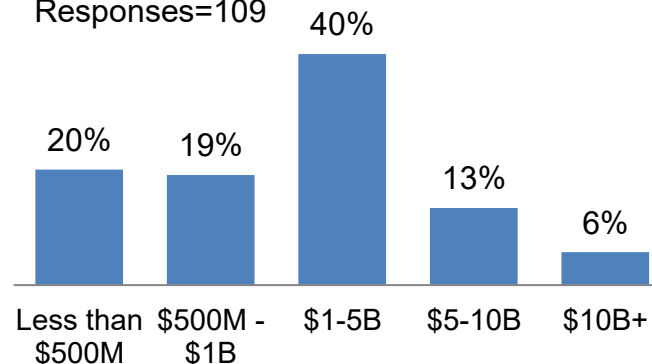
- The vast majority of directors expect increases in ESG investment over the coming years. Board discussion, reporting, board diversification, and oversight by the Nominating and Governance committees are key means of this investment.
- Governance outranks Environmental and Social in importance, with some variation by geographic regions of the world.

Virtual Board Meetings

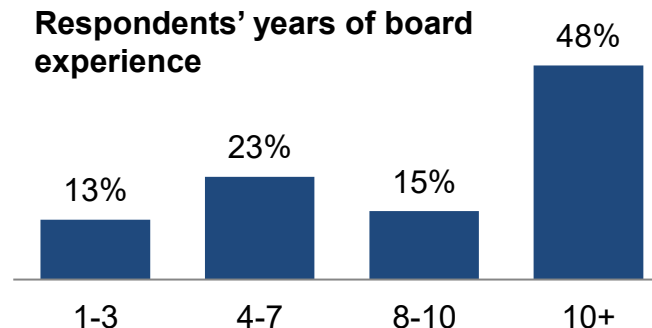
- Overall time spent on board meetings is up in 2020 and expected to continue for 2021.
- Directors believe virtual board meetings are effective, particularly in terms of increased attendance. They show a strong preference for a return to mainly in-person meetings.
- Directors note negative effects of virtual meetings on board relationships and nuanced communication.

Board Revenues

Responses=109



Respondents' years of board experience



Strategy and Technology Experience are Key Issues in the Executive Suite

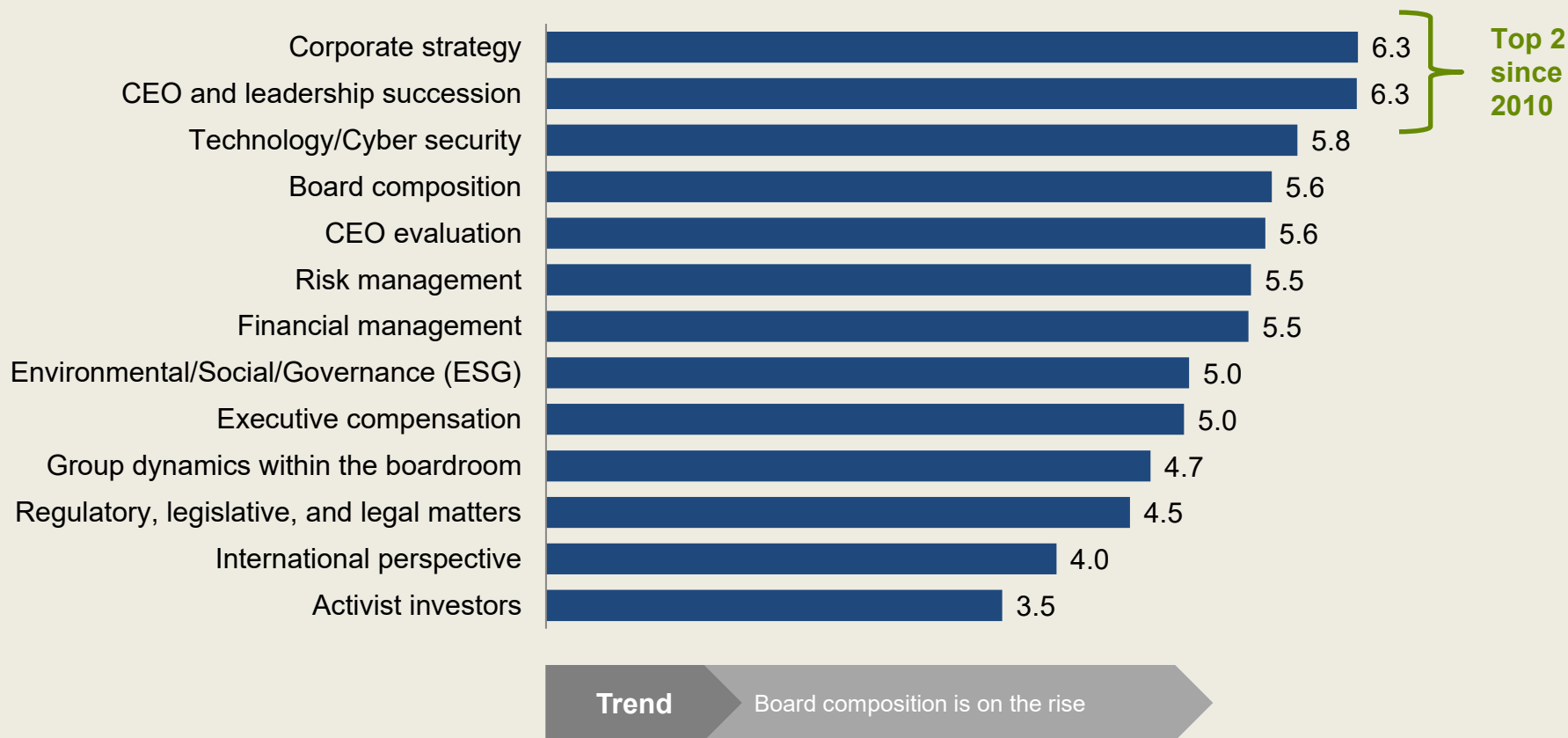
- Strategic perspective remains the dominant focus for the executive suite of the future.
- Technology expertise climbed again and now ranks second, while M&A experience fell out of the top 3. ESG was new to the list this year and ranked strongly.
- Directors believe their company's performance-based executive compensation plans are effective and show a preference for tying this compensation to multiple metrics.

Please contact JWC Partners for further information about the survey and results. We thank all of the directors for sharing their perspectives.

Directors have considered CEO succession and corporate strategy the most important boardroom topics for over a decade, with technology and board composition continuing to rise

IMPORTANCE OF TOPICS IN BOARDROOM

Rating (1-7 scale)



Directors predict ESG, technology, and corporate strategy will continue to be the most important boardroom topics in the future

IN THE FUTURE, WHICH TWO TOPICS WILL BECOME MOST IMPORTANT, REQUIRING MORE TIME IN THE BOARDROOM?

Percent selected as top two most important topics

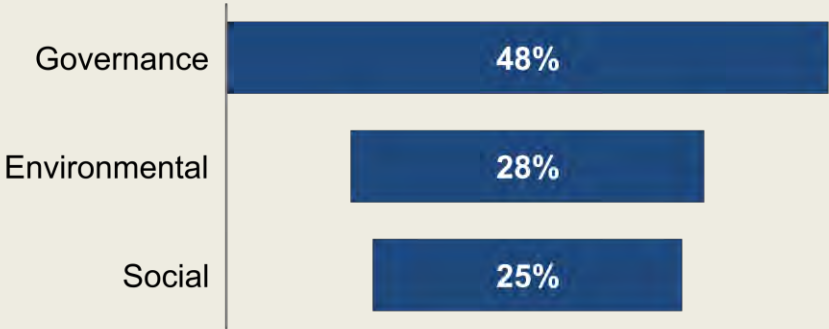


Trends

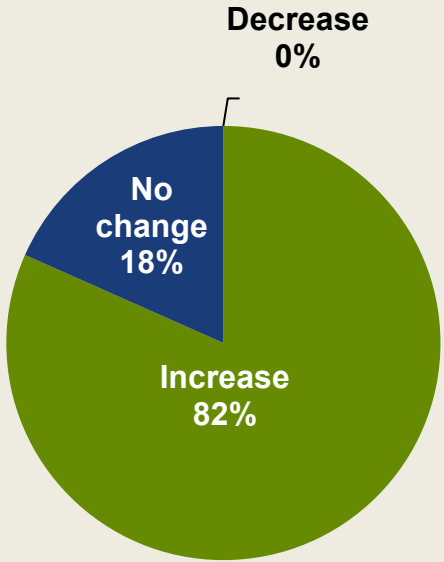
- ESG tops the list for the first time, a big jump from the middle of the rankings last year
- Corporate strategy fell out of the top 2 for the first time since 2010
- CEO evaluation, risk management are declining

Directors strongly believe their companies will increase investment in ESG in the coming years. Governance outranks Environmental and Social in importance, with some variation among geographic regions

RELATIVE IMPORTANCE OF EACH ESG TOPIC (Percentage ranked first)



EXPECTED CHANGES IN ESG INVESTMENT OVER THE NEXT THREE YEARS



THIS IMPORTANCE CAN VARY BY GEOGRAPHIC REGION (e.g., US, Europe, Asia)

Comments received

- “Europe is way ahead on environment”
- “Social is more important at our US facilities vs. those in Mexico, Europe or Asia”
- “Social and environmental norms vary dramatically across the globe”

Directors report discussion, oversight, and reporting of ESG as main forms of ESG investment

HOW BOARDS ARE INVESTING IN ESG

Percent of Responses



*Other

- Just beginning to integrate ESG topics into board calendar, creating ESG reporting mechanisms internally and externally
- A board needs to have accountability, which is very clear in terms of financial performance and shareholders.
- ESG has no clear accountability nor consistent measurements for comparative purposes which limits its importance

Directors identify IT, ESG expertise, and perspective on Millennial/Gen-Z employees among the most underrepresented skills in the boardroom today

UNDERREPRESENTED SKILLS AND EXPERIENCE

Percent selected as top three most important topics

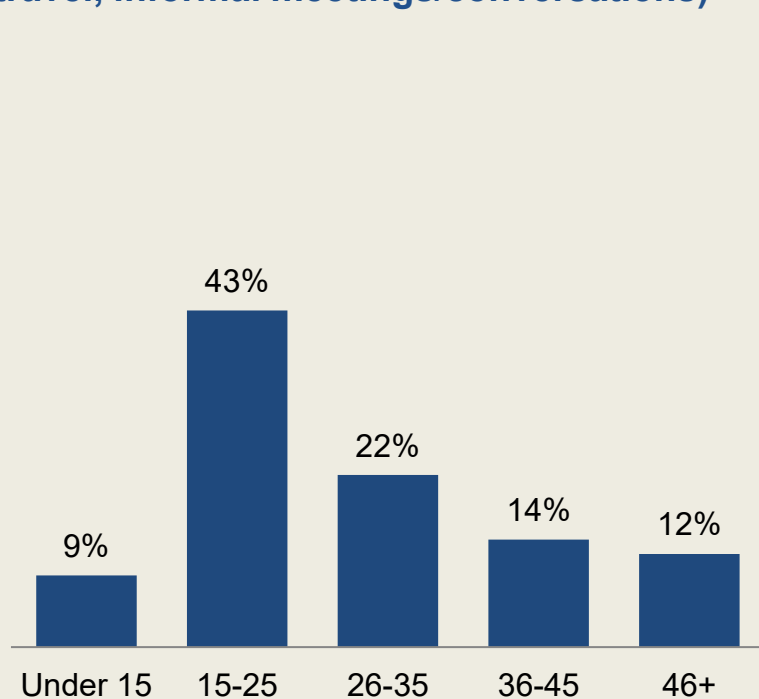


Trends

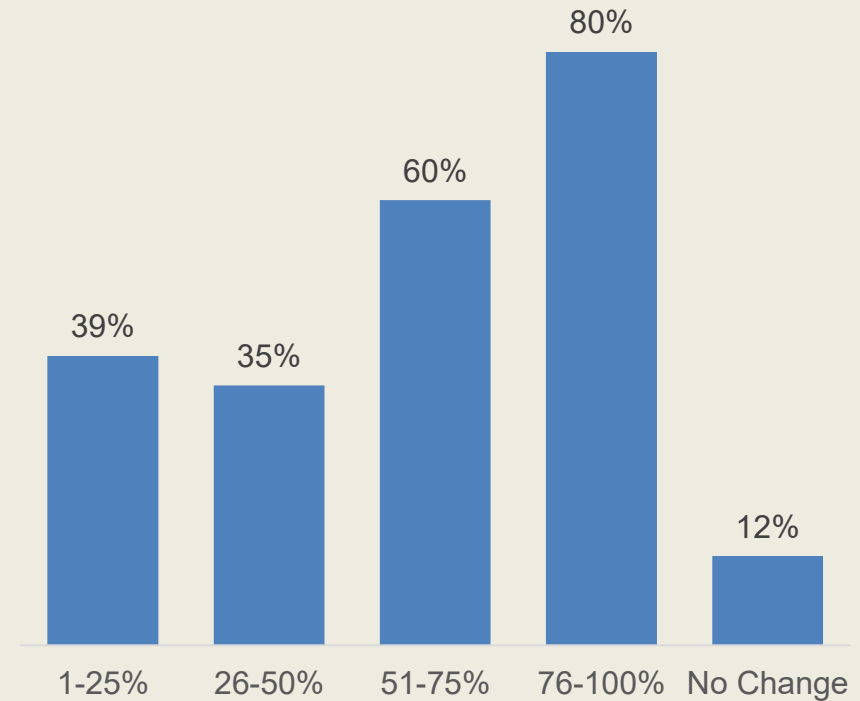
- IT expertise tops the list for the first time
- Millennial/Gen-Z perspective and ESG experience, both new to the list this year, rank high
- Diversity, international reversed last year's drops
- Active CEO perspective, M&A experience are declining

88% of directors report an increase in time spent on board activities in 2020 and expect this will continue into 2021

HOW MANY DAYS PER BOARD DID YOU SPEND ON BOARD ACTIVITIES LAST YEAR?
(attending meetings/events, reviewing reports, travel, informal meetings/conversations)

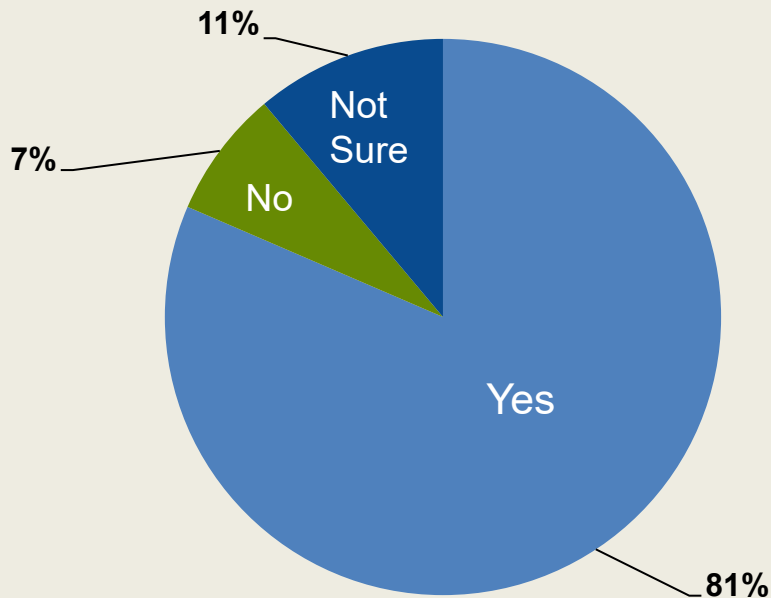


COMPARING 2020 TO 2019, HOW MUCH MORE TIME HAVE YOU SPENT ON BOARD ACTIVITIES?

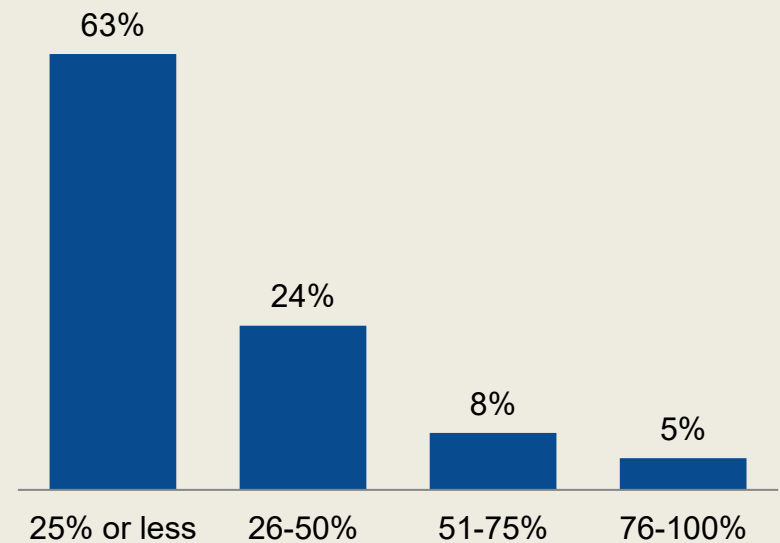


While directors believe virtual meetings have been effective, there is a strong preference for a return to mainly in-person meetings

ARE VIRTUAL BOARD MEETINGS EFFECTIVE?

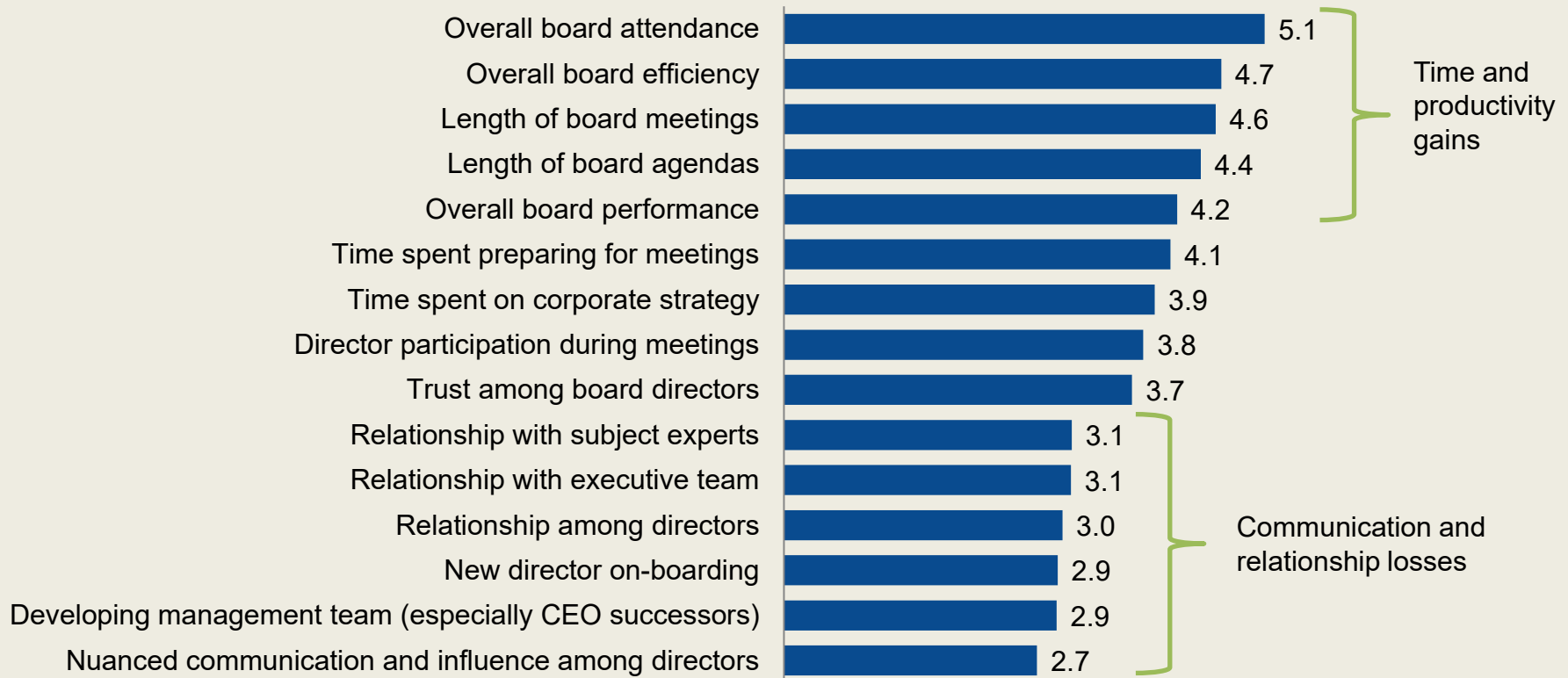


POST-PANDEMIC PERCENTAGE OF BOARD MEETINGS EXPECTED TO BE VIRTUAL



Directors see some benefits to virtual board meetings, particularly with attendance, but recognize the negative effects virtual meetings have on board relationships and in on-boarding new directors

EFFECTS OF VIRTUAL MEETINGS ON THE FOLLOWING (1=significantly less effective; 7=significantly more effective)



Directors' comments reveal nuances about the positive and negative effects of virtual board meetings



Forces a greater listening discipline on all attendees and therefore improves the quality of deliberations

Immensely productive for board members who grew up with technology

Could be effective as a supplement in the future, such as having committee meetings virtual and full board in-person meetings

Really hard to read the room

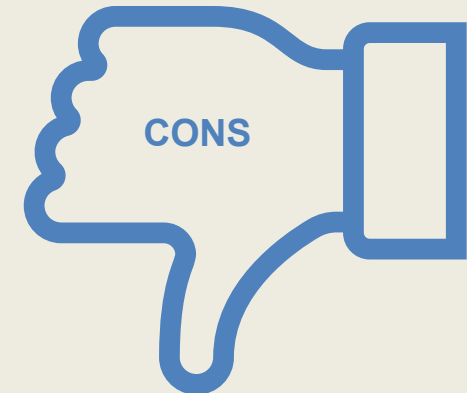
Zoom fatigue

Absence of ancillary discussions

Not as much creativity

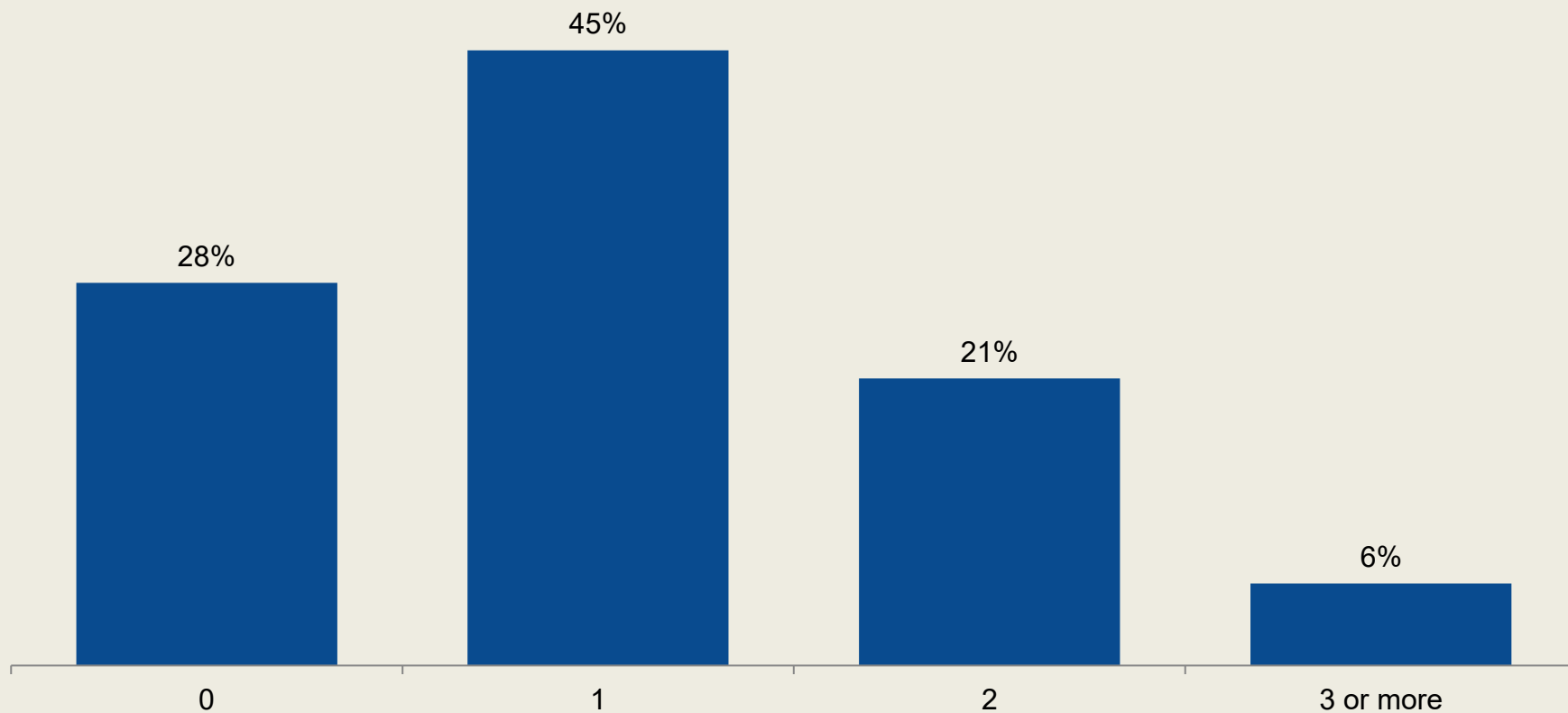
Largely ineffective at strengthening the culture and chemistry of the board

Hard to have broader strategic conversations that involve a level of brainstorming and building off each other



Boards continue to add directors during the pandemic

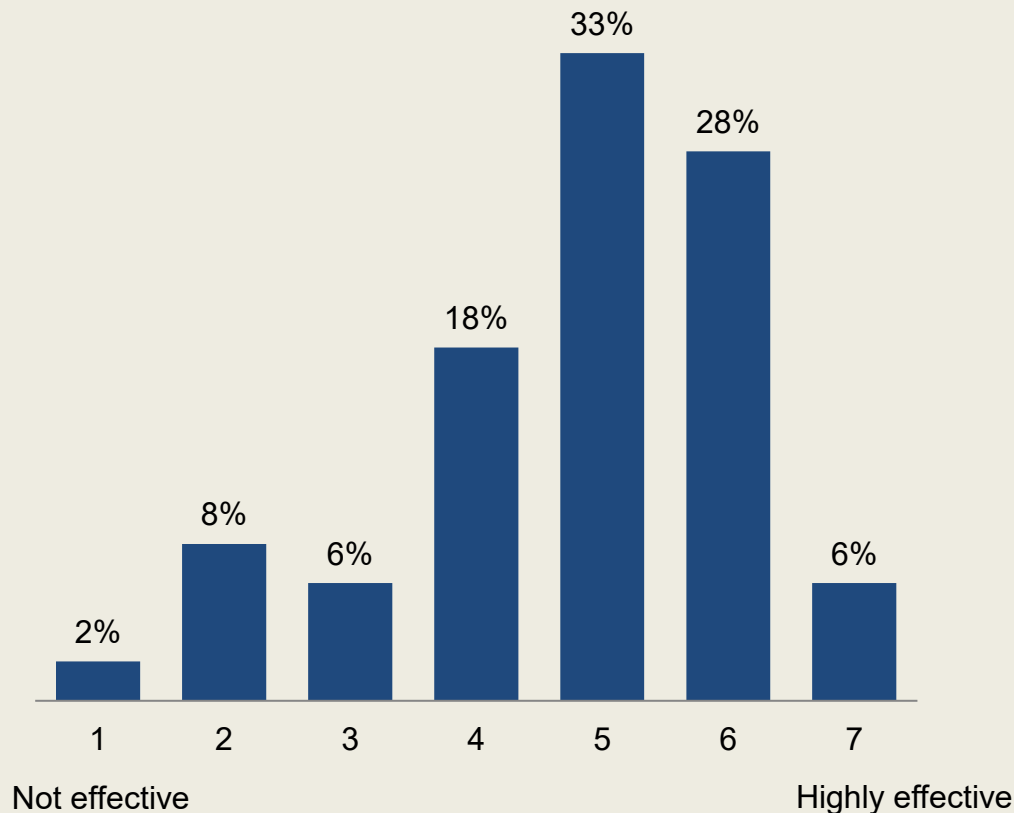
NUMBER OF BOARD MEMBERS TO BE REPLACED IN 2020-2021 Percent of Responses



Most directors believe that their boards have effectively on-boarded new directors this year - but there are opportunities for improvement

RATINGS OF RECENT ON-BOARDING PRACTICES

Scale of 1 to 7



Comments

- On boarding new directors is a real issue during Covid-19. Technology cannot replace in person meetings for relationship development.
- No real process -- jump in and learn. But our Chairman was very willing to talk/teach.
- Baptism by fire.
- Needs to be improved significantly.
- Virtual is just not as effective as in person.
- With no in person meetings, terrible!
- Management and sitting directors seem to all have different ideas and concerns about what is most important.
- Will not be effective until things return to somewhat more normal.

Boards are being creative in how they on-board new directors in a largely virtual environment

EFFECTIVE SUPPLEMENTS FOR ON-BOARDING NEW DIRECTORS (IN VIRTUAL ENVIRONMENTS):

- ✓ Schedule 1:1 discussions with all other directors and the CEO, CFO, GC to better understand the company & culture.*
- ✓ Assign a board mentor to the new director.
- ✓ Schedule tours of HQ and important corporate facilities (e.g., plants)*
- ✓ Have all new directors join, or at least observe, the Audit Committee as a way to get to know the company.

**virtual if in-person not possible*

In the executive suite, strategic perspective and technology expertise stand out as skills that will become increasingly important

INCREASINGLY IMPORTANT SKILLS IN THE EXECUTIVE SUITE IN THE NEXT 5-10 YEARS

Percent of Responses



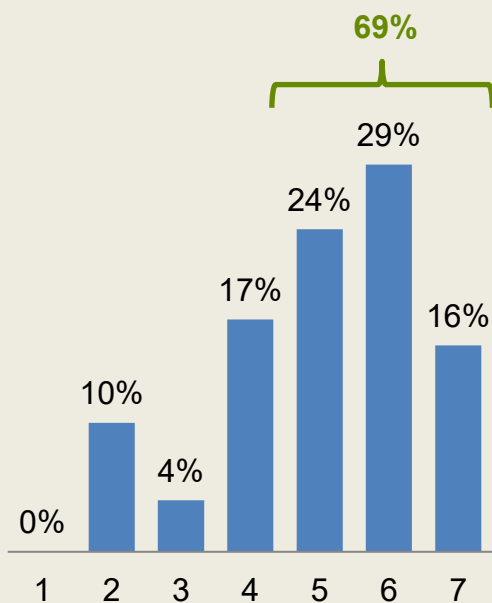
Other: generalist, innovation, problem solving, decision making

Trends

- Strategic perspective has topped the list since 2012
- Global and M&A experience remain important
- ESG is new to the list this year and ranks strongly

Most directors believe their company's current performance-based executive compensation targets are effective and should be tied to multiple metrics

EFFECTIVENESS OF COMPANY'S CURRENT PERFORMANCE-BASED EXECUTIVE COMPENSATION METRICS Scale of 1 to 7



IMPORTANCE OF PERFORMANCE-BASED METRICS ON EXECUTIVE COMPENSATION Scale of 1 to 7



Directors shared their insights on the prioritization of stakeholders in their companies and boardrooms

How has the prioritization of stakeholders evolved in your company and boardroom?

The force of ISS' influence has driven this into the boardroom in terms of say on pay and potentially voting against directors.

Efforts related to broader stakeholder recognition are just beginning.

More focus on communities.

MORE COMMUNICATION AROUND ESG.

More focus on employees.

ASSIGNING MORE COMPANY RESOURCES TO WORK ON AND MESSAGE WHAT'S BEING DONE

CONSIDERATION OF STAKEHOLDERS BEYOND SHAREHOLDERS HAS SIGNIFICANTLY INCREASED

More discussion on this in 2020 than any previous year.

Shifting to long-term shareholder value from short-term focus

MORE FOCUS ON INCLUSION AND DIVERSITY.

There is still a focus on financial performance.

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