Corporate Board Survey Results: 2021 Trends & Insights

February 2021
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.

**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)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate strategy</td>
<td>6.3</td>
</tr>
<tr>
<td>CEO and leadership succession</td>
<td>6.3</td>
</tr>
<tr>
<td>Technology/Cyber security</td>
<td>5.8</td>
</tr>
<tr>
<td>Board composition</td>
<td>5.6</td>
</tr>
<tr>
<td>CEO evaluation</td>
<td>5.6</td>
</tr>
<tr>
<td>Risk management</td>
<td>5.5</td>
</tr>
<tr>
<td>Financial management</td>
<td>5.5</td>
</tr>
<tr>
<td>Environmental/Social/Governance (ESG)</td>
<td>5.0</td>
</tr>
<tr>
<td>Executive compensation</td>
<td>5.0</td>
</tr>
<tr>
<td>Group dynamics within the boardroom</td>
<td>4.7</td>
</tr>
<tr>
<td>Regulatory, legislative, and legal matters</td>
<td>4.5</td>
</tr>
<tr>
<td>International perspective</td>
<td>4.0</td>
</tr>
<tr>
<td>Activist investors</td>
<td>3.5</td>
</tr>
</tbody>
</table>

**Top 2 since 2010**

- Corporate strategy
- CEO and leadership succession

**Trend**

Board composition is on the rise.
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

- Environmental/Social/Governance (ESG) - 40%
- Technology/Cyber security - 39%
- Corporate strategy - 36%
- CEO and leadership succession - 24%
- Board composition - 17%
- Risk management - 12%
- Regulatory, legislative, and legal matters - 9%
- International perspective - 6%
- Activist investors - 6%
- Other - 3%
- Financial management - 3%
- Executive compensation - 3%
- Group dynamics within the boardroom - 2%
- CEO evaluation - 1%

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.

Source: Corporate Board Survey 2021
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)

- Governance: 48%
- Environmental: 28%
- Social: 25%

EXPECTED CHANGES IN ESG INVESTMENT OVER THE NEXT THREE YEARS

- Increase 82%
- No change 18%
- Decrease 0%

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

- “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”

Source: Corporate Board Survey 2021
Directors report discussion, oversight, and reporting of ESG as main forms of ESG investment

HOW BOARDS ARE INVESTING IN ESG
Percent of Responses

- ESG is a regular discussion topic on the board agenda: 44%
- ESG oversight added to Nominating & Governance Committee: 42%
- Add board member(s) with racial/ethnic diversity: 37%
- Management reports ESG performance as compared to company goals: 35%
- ESG is a specific focus within the current strategic plan: 23%
- Not investing significantly: 16%
- Add board member(s) with specific ESG skills/expertise: 10%
- ESG committee of the board: 2%
- Other*: 8%

*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

Source: Corporate Board Survey 2021
Directors identify IT, ESG expertise, and perspective on Millenial/Gen-Z employees among the most underrepresented skills in the boardroom today.

### UNDERREPRESENTED SKILLS AND EXPERIENCE

Percent selected as top three most important topics:

<table>
<thead>
<tr>
<th>Skill/Experience</th>
<th>Percent Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology expertise</td>
<td>38%</td>
</tr>
<tr>
<td>Digital company executive</td>
<td>33%</td>
</tr>
<tr>
<td>ESG expertise</td>
<td>33%</td>
</tr>
<tr>
<td>Perspective on Millenial/Gen-Z employees</td>
<td>30%</td>
</tr>
<tr>
<td>Diversity</td>
<td>27%</td>
</tr>
<tr>
<td>Active CEO perspective</td>
<td>19%</td>
</tr>
<tr>
<td>M&amp;A transaction/integration experience</td>
<td>14%</td>
</tr>
<tr>
<td>Supply chain and logistics</td>
<td>10%</td>
</tr>
<tr>
<td>Strategist</td>
<td>9%</td>
</tr>
<tr>
<td>Research &amp; Development expertise</td>
<td>9%</td>
</tr>
<tr>
<td>Human Resources management knowledge</td>
<td>9%</td>
</tr>
<tr>
<td>Turnaround capability</td>
<td>6%</td>
</tr>
<tr>
<td>Operations and Supply Chain</td>
<td>6%</td>
</tr>
<tr>
<td>M&amp;A transaction/integration experience</td>
<td>4%</td>
</tr>
<tr>
<td>Executive compensation experience</td>
<td>3%</td>
</tr>
<tr>
<td>Financial expertise</td>
<td>2%</td>
</tr>
<tr>
<td>Legal/regulatory knowledge</td>
<td>2%</td>
</tr>
<tr>
<td>Executive compensation experience</td>
<td>2%</td>
</tr>
</tbody>
</table>

### Trends

- IT expertise tops the list for the first time.
- Millenial/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.

Source: Corporate Board Survey 2021
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)

- Under 15: 9%
- 15-25: 43%
- 26-35: 22%
- 36-45: 14%
- 46+: 12%

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

- 1-25%: 39%
- 26-50%: 35%
- 51-75%: 60%
- 76-100%: 80%
- No Change: 12%

Source: Corporate Board Survey 2021
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?**
- Yes: 81%
- No: 7%
- Not Sure: 11%

**Post-Pandemic Percentage of Board Meetings Expected to Be Virtual**
- 25% or less: 63%
- 26-50%: 24%
- 51-75%: 8%
- 76-100%: 5%

Source: Corporate Board Survey 2021
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)

- Overall board attendance: 5.1
- Overall board efficiency: 4.7
- Length of board meetings: 4.6
- Length of board agendas: 4.4
- Overall board performance: 4.2
- Time spent preparing for meetings: 4.1
- Time spent on corporate strategy: 3.9
- Director participation during meetings: 3.8
- Trust among board directors: 3.7
- Relationship with subject experts: 3.1
- Relationship with executive team: 3.1
- Relationship among directors: 3.0
- New director on-boarding: 2.9
- Developing management team (especially CEO successors): 2.9
- Nuanced communication and influence among directors: 2.7

Source: Corporate Board Survey 2021
Directors’ comments reveal nuances about the positive and negative effects of virtual board meetings

**PROS**
- 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

**CONS**
- 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

Source: Corporate Board Survey 2021
Boards continue to add directors during the pandemic

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

Source: Corporate Board Survey 2021
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

- 2% rated it not effective (1)
- 8% rated it 2
- 6% rated it 3
- 18% rated it 4
- 33% rated it 5
- 28% rated it 6
- 6% rated it 7

Highly effective

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.

Source: Corporate Board Survey 2021
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

Source: Corporate Board Survey 2021
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**

<table>
<thead>
<tr>
<th>Skill Description</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic perspective</td>
<td>70%</td>
</tr>
<tr>
<td>Technology expertise, including data analytics/AI/IoT</td>
<td>48%</td>
</tr>
<tr>
<td>Global experience</td>
<td>40%</td>
</tr>
<tr>
<td>M&amp;A experience</td>
<td>39%</td>
</tr>
<tr>
<td>Environmental/social/governance (ESG)</td>
<td>37%</td>
</tr>
<tr>
<td>Financial management</td>
<td>32%</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>32%</td>
</tr>
<tr>
<td>Risk management</td>
<td>25%</td>
</tr>
<tr>
<td>Operations/supply chain expertise</td>
<td>24%</td>
</tr>
<tr>
<td>Investor relations</td>
<td>22%</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>20%</td>
</tr>
<tr>
<td>Human resources management</td>
<td>16%</td>
</tr>
<tr>
<td>Marketing expertise</td>
<td>15%</td>
</tr>
<tr>
<td>Legal or regulatory knowledge</td>
<td>9%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>9%</td>
</tr>
</tbody>
</table>

**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

Source: Corporate Board Survey 2021
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

- 69%
- 29%
- 24%
- 17%
- 4%
- 10%
- 0%

**IMPORTANCE OF PERFORMANCE-BASED METRICS ON EXECUTIVE COMPENSATION**

Scale of 1 to 7

- 6.8 Financial performance
- 5.4 Safety
- 5.3 Talent development
- 5.3 Customer satisfaction
- 5.3 Employee satisfaction/company culture
- 5.2 Product quality
- 4.9 Diversity/Equity/Inclusion performance
- 4.2 Environmental footprint/emissions/renewable energy
- 4.1 Sustainability/sustainable sourcing
- 4.0 Community engagement

Source: Corporate Board Survey 2021
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 focus on employees.
- More communication around ESG.
- 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.

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

Source: Corporate Board Survey 2021
Contact Information

For more information, contact:

jennifer@jwcpartners.com
aimee@jwcpartners.com