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BOARDPROSPECTS

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Views on Board Governance — Where Directors and C-Suite Leaders Align and Diverge

Survey spotlights how directors can improve their performance and deliver greater value

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Executive summary — our key findings

We are pleased to publish our inaugural **Global Board Governance Survey**. This study — developed by Protiviti, BoardProspects and Broadridge — is, we believe, the first of its kind. It offers insights regarding the board's priorities, performance and governance practices from the different perspectives of more than 1,000 directors and C-suite leaders.

Perceived threats to growth

Board members and C-suite executives identify the following challenges as posing the greatest threats to their organisation's growth:

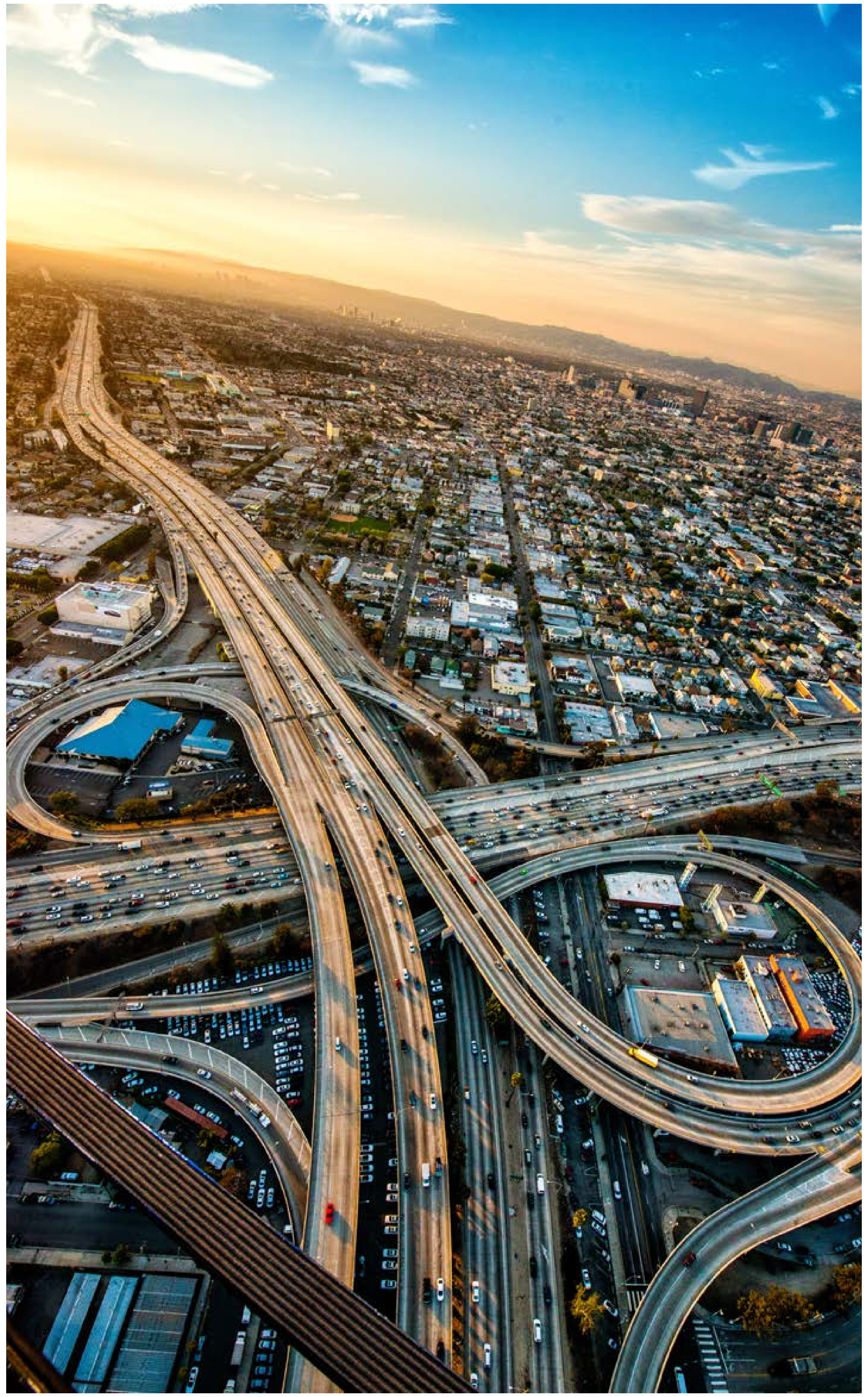
1. Talent — recruiting, retention and skilling
2. Access to capital and/or liquidity
3. New and emerging technologies
4. Central bank monetary policy, inflation and rising labour costs driving economic uncertainty
5. Rapid change from disruptive innovation

Threat preparedness perspectives differ: For every risk to their company's growth prospects, directors rate the board's level of preparedness to address it to be higher than do C-suite executives. The divergence is most pronounced for risks related to talent management, organisational culture and third-party risk. Board members and C-suite executives are least confident of their organisation's capabilities related to mitigating risks from non-linear, disruptive events stemming from bleeding-edge innovation, political uncertainty, new and emerging technologies, and geopolitical tensions and potential conflicts.

Where the board and C-suite are — and are not — aligned with respect to board performance

Good news: Boards and C-suite leaders are on the same page regarding the board's priorities. Strategic planning and execution rates as the top board priority. Risk management oversight, CEO and management succession planning, digital transformation and integration of emerging technologies, and R&D/innovation are other top priorities.

Director respondents believe the topics in greatest need of board time and attention are crisis management, cybersecurity, digital transformation and organisational culture. The need for a stronger focus on crisis management makes sense — crises have become the norm rather than



the exception. Digital transformation requiring more board attention is a red flag. In the digital age, this strategic conversation is about enabling the organisation to function at the speed of the market. A trust-based, diverse and inclusive culture fostered by the CEO and leadership team that is authentic, connected and transparent is needed to break down barriers of resistance and enhance organisational preparedness, agility and decisiveness.

In contrast to the views of director respondents, a higher percentage of C-suite respondents believe the board should devote more time and attention to corporate culture along with hiring and talent management.

More good news: Most director and C-suite respondents "agree" or "strongly agree" that board members provide input into, and approve, corporate strategy and major policy decisions; represent the interests of shareholders and appropriate stakeholders; place the interests of the company ahead of their own interests; and devote sufficient time to fulfilling their fiduciary responsibilities. However, C-suite respondents are less likely to agree that board members come prepared for each meeting and that they are constructively engaged during meetings.

Diversity of thought: When assessing the diversity of thought present on the board, respondents place the greatest value on diversity of skill and experience, industry knowledge and experience, understanding of technology developments and applications, knowledge of other industries, and gender diversity.

A commitment to achieving the desired diversity of thought on the board is a continuous journey. It should be entrenched into the nominating committee's mindset, criteria and expectations for evaluating board candidates as part of the selection process.

Talent gaps: Our results indicate that talent management and organisational culture demand more board attention — and more consensus. A notable divide exists between the board and C-suite in prioritising talent and culture gaps. It is imperative that organisations overhaul talent management strategies while leveraging their cultures as a competitive advantage.

An organisational culture must address a diverse set of employee priorities and expectations. The strength and health of an organisation's culture will play a growing, decisive role in attracting and keeping the best talent and the most difficult-to-source skills.

The perception gap between the board and C-suite on this subject suggests a need for focused strategic conversations, particularly given the realities of the current labour market in which the entire concept of sourcing skilled labour is undergoing a sea change.

Tech governance: Digital transformation, the integration of new technologies and cybersecurity warrant more board attention. In our view, to keep pace with evolving markets, boards should possess the knowledge and expertise to understand and assess the organisation's core technology strategy and operations while evaluating and contributing to capital allocation decisions regarding potential technology investments.

> *C-suite respondents are less likely to agree that board members come prepared for each meeting and that they are constructively engaged during meetings.*

Governance call to action

Based on the key takeaways from this research, we have summarised a call to action beginning on page 5 that addresses obstacles to organisational growth, sharpens the board's focus on several key areas, enhances director engagement and drives an ongoing emphasis on continuous improvement of the board's oversight.

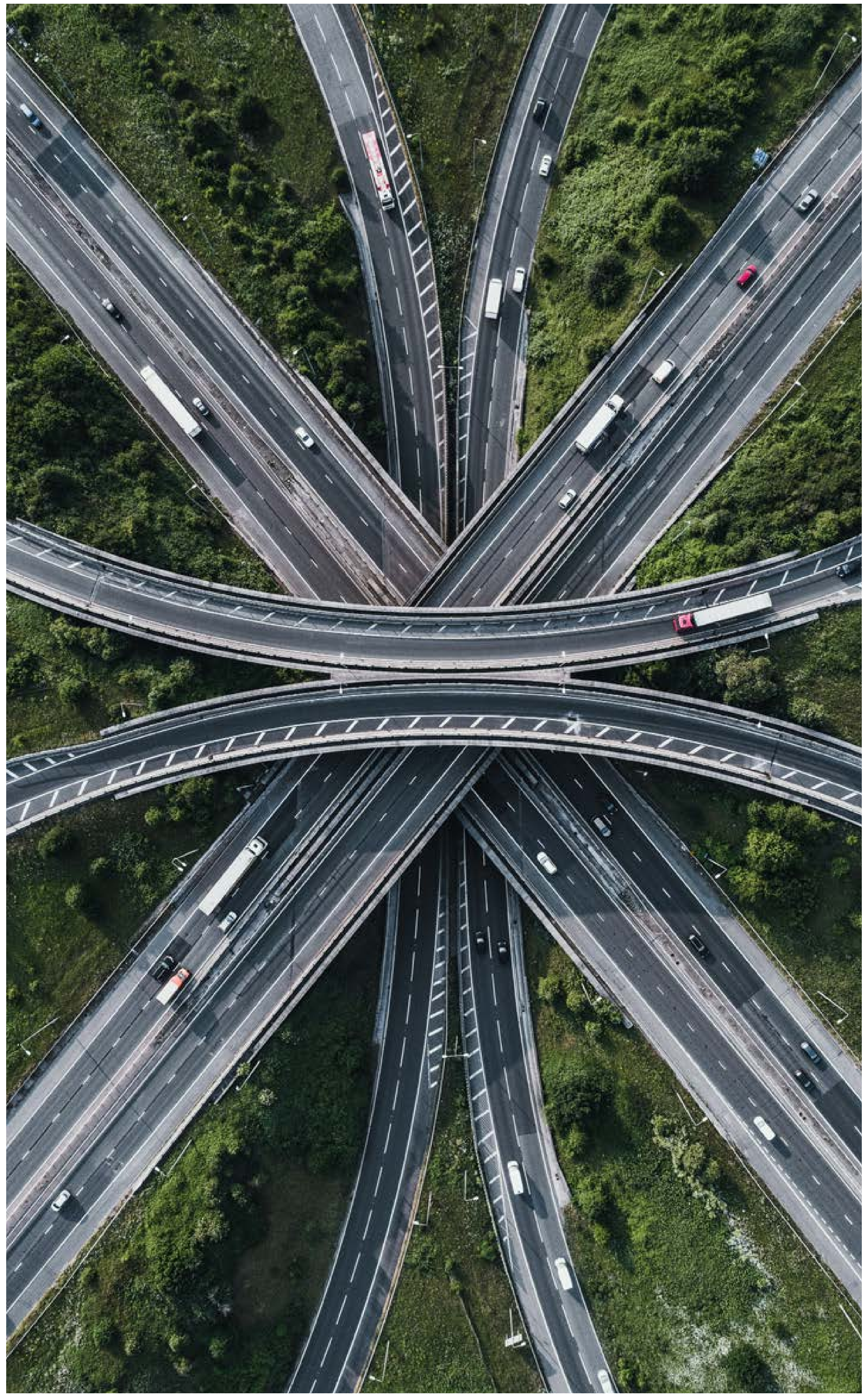
Governance call to action for directors

The results of our study reveal a number of important opportunities to improve board governance and performance. Based on the key takeaways from this research, we have summarised the following call to action:

1. **Address underperforming directors.** Our survey noted that only 58% of directors and 36% of C-suite leaders agree that board members falling short of expectations are addressed in a constructive manner, suggesting a need for improvement in evaluating or offboarding underperforming directors. There is no place in the boardroom for underperforming directors who are unable to demonstrate the capacity to improve their performance. The self-assessment process, as recommended below, should encourage candour in identifying opportunities for individual directors to improve. Constructive engagement to improve performance is the goal and, if not possible, steps should be taken to offboard certain directors. Accepting underperformance or waiting until the age or term limit is reached can be detrimental to board dynamics. Be mindful of overboarding issues or other commitments that can impair the effectiveness of a director's board service.

2. **Address obstacles to organisational growth.** According to our survey, the five most important obstacles to organisational growth over the next three years are recruiting, retaining and skilling talent; access to capital and/or liquidity; new and emerging technologies; economic uncertainty around central bank monetary policy, inflation and rising labour costs; and rapid change from disruptive innovation. In addition, the survey noted that digital transformation and organisational culture were two of the areas requiring more board time and attention. The question arises as to whether the board's activities are sufficiently focused on the opportunities and risks that matter.

    - With respect to talent acquisition and retention, our survey suggests a need for focused strategic conversations regarding the shortage of talent and skilled labour. The board should evaluate and advise on investments needed to upgrade the organisation's talent strategy and talent management function so that they are aligned with market realities and the company's overall strategy. Succession planning and leadership development activities also warrant more stringent stress-testing from boards.



- Underpinning the focus on talent management, the board should devote sufficient time to corporate culture. Talent management strategies should leverage the corporate culture as a competitive advantage from a recruitment, reskilling, retention and innovation perspective. The board has an important role to play in setting the tone for building a fit-for-purpose culture in a rapidly changing environment. A trust-based, diverse and inclusive culture fostered by the CEO and leadership team that is authentic, connected and transparent is needed to break down barriers of resistance and enhance organisational preparedness, agility and decisiveness.
- The board should be satisfied that it is well-positioned to challenge conventional thinking and assist management in transforming customer experiences and disrupting long-established value chains. In today's technology-driven markets, it is disrupt or be disrupted. Disruption occurs in many ways — new business models, rapid product innovation, changing customer value propositions, and disintermediation of distribution channels. Companies can either lead the way or be swept away.

These strategic conversations require a deep understanding of emerging and maturing technologies and their application in imaginative ways to drive disruptive innovation and rethink and transform the organisation's business model and strategy continuously. The board should emphasise the importance of staying close to the customer experience, keeping an eye on relevant market trends, organising for speed and embracing change. As most innovation is technology-driven, the boardroom agenda should allocate sufficient time to discuss the company's innovation and digital transformation strategy and the talent needed to execute it successfully.

> *The board should emphasise the importance of staying close to the customer experience, keeping an eye on relevant market trends, organising for speed and embracing change.*

3. **Sharpen focus on crisis management.** Our survey suggests a need for a stronger board focus on crisis management. As the coming year unfolds, new and existing geopolitical, economic, environmental, social and cyber-related crises could arise and/or conflagrate. In addition, the results of national elections occurring all over the world during 2024 can lead to disruptive impacts extending beyond the voting countries' borders, with particular emphasis on the United States.
4. **Don't forget cybersecurity issues.** One more area identified by our survey requiring additional board time and attention is cybersecurity. The ever-changing cyber threat landscape and growing geopolitical tensions are likely the reasons for this finding.
5. **Ensure the board is aligned with management on organisational resilience.** Our survey points to a divergence between board members and C-suite leaders in their assessments of the organisation's preparedness for certain risks, particularly talent management, organisational culture and third-party risk. Interestingly, executive leaders rate the organisation's preparedness lower in these areas than do board members. To position the board to contribute value, directors should seek to understand the concerns of their company's senior leaders, particularly if those leaders are requesting more resources and support to meet expectations. This should involve the board requesting an adequate level of information from management. If the board's assessment is significantly more favourable than management's, a disconnect in boardroom conversations may result. If a request for resources appears excessive, ask management for a stronger articulation of the market opportunity or emerging risk and the expected value contributed to execution of the strategy and preservation of the company's reputation and brand image. Finally, directors

should ensure they are receiving periodic risk updates from management so that there is clarity among both groups regarding potential risks to the organisation.

6. **Emphasise director preparedness and engagement.** Our survey noted that C-suite respondents are less likely to agree that board members come prepared for each meeting and are constructively engaged during meetings. Therefore:
   - The board's charter and/or corporate governance guidelines should establish criteria for director performance that sets forth clear expectations for meeting preparedness and engagement as well as criteria for overboarding.
   - If there are issues with preparedness and engagement, the CEO should inform the board chair or lead director and a plan should be developed to improve in these areas. If the focus is on certain directors, the board chair or lead director should counsel those directors.
   - All directors should periodically assess their commitment to board service and, most importantly, their ability to allocate the necessary time and energy. The optics of today's marketplace demand full engagement, such that every director must pull their weight with intention and purpose to justify their seat at the boardroom table.

The above said, the street runs two ways. Information overload can contribute to a perceived lack of director preparedness. Management can facilitate preparedness by being more selective and timely in submitting pre-meeting materials to the board. The board should set the tone by being clear in its expectations of management. This can be achieved through planning board meeting agendas, encouraging concise executive summaries and providing post-meeting feedback to management on the quality of meeting materials. These activities enable an iterative process toward improving briefing materials over time.

> *Changes to the board composition skills matrix should be mapped by the governance or nominating committee against the skills possessed by each board member.*

7. **Engage directors in shaping the board agenda.** The survey noted that board members agree less frequently than C-suite executives that they are given an opportunity to influence the agenda in advance of formal board meetings. To that point, when planning for future meetings, the board chair or lead director should consider involving board members in setting the agenda. Recommendations could be solicited in executive session. Such involvement would elevate the level of director engagement.

8. **Self-assess board performance.** At least annually, the board should conduct a robust self-assessment of the performance of the full board, each board committee and each individual member of the board to determine whether they are functioning effectively. The self-assessment process should be conducted on a confidential, anonymous basis and ensure that the board and each committee are staffed and appropriately led, individual board members are effective in fulfilling their fiduciary obligations, and the oversight processes in place are contributing value. The process should encourage candour and be rooted in trust and transparency with an eye toward continuous improvement.

   One way to approach the assessment process is to summarise strengths and opportunities for improvement and have the full board and each board committee discuss the results in executive session with the intention to develop and implement improvement plans. The process can be supported by written questionnaires, one-on-one interviews and group discussions facilitated by a member of the board or a third-party adviser. The board should vary the approach over time to encourage director engagement and address key themes or topics, as identified by the board chair or lead director.

- The process should be designed to provide meaningful and actionable feedback. It should present an opportunity to ensure that committee workloads are manageable.
- The process should include an evaluation of composition and onboarding criteria (see below).
- Informal feedback from the CEO, CFO, CHRO, CPO and other senior executives as to how the board can best contribute value can provide useful insights to the self-assessment process.

9. **Periodically evaluate composition and onboarding criteria.** Our survey results suggest that skill and experience, industry knowledge, technology savviness, knowledge of other industries, and gender diversity are attributes boards are primarily looking for as they evaluate new director candidates. While this finding is not intended to suggest a one-size-fits-all approach, it nonetheless points to a need to assess whether the currency, experience and diversity of thinking (as discussed on pages 26-27) in the boardroom are sufficient. Recommended changes should be incorporated into a board composition skills matrix (or its equivalent) summarising the skills and expertise that the board needs to oversee the organisation effectively. Changes to the board composition skills matrix (or its equivalent) should be mapped by the governance or nominating committee (or its equivalent) against the skills possessed by each board member. Any gaps should be considered when evaluating new director candidates.

All directors should periodically assess their commitment to board service and, most importantly, their ability to allocate the necessary time and energy.

About our survey

In the fourth quarter of 2023, we polled more than 1,000 board members and C-suite executives (n = 1,006) about their perceptions of current threats to their organisation, as well as priorities for the board and organisation to address, among other topics. We categorised our respondents into three groups:

- Board members
- C-suite executives
- Dual role (individuals who serve as both a director and C-suite executive)

In this report, along with selected overall findings, we focus on the responses from these three groups, identifying where each aligns and differs in their perceptions of governance and board focus.

Specifically, our study examines:

- The risks that pose the greatest threats to organisations and the board's and management's ability to address them;
- Areas where directors and C-suite leaders align and diverge on certain topics, including board priorities and performance, diversity of thought and experience, the organisation's strategic planning process, meeting dynamics, and time allocation;
- The board's responsibility with respect to talent management and organisational culture; and
- Board governance concerning digital transformation and emerging technologies such as generative AI.

We also provide a governance call to action for board members and C-suite leaders. One critical call to action is a recommendation to improve self-assessments of board and individual director performance.

It makes sense for boards to self-assess with an eye toward improving performance as shareholder support overall for boards and management is declining. While there are more shareholder proposals than at any time over the last five years, there is less shareholder support. In fact, shareholder support during the 2023 proxy season fell to 24.6% on average, a 10% decline from 2022 and a five-year low. Expectations of directors are also increasing. Although shareholder support for directors sits at approximately 90%, the percentage of directors who failed to attain majority support reached a five-year high during the 2023 proxy season, and this pressure is expected to intensify further this year.[1]

[1] Broadridge ProxyPulse™ 2023 Proxy Season Review: www.broadridge.com/_assets/pdf/broadridge-proxypulse-2023-proxy-season-review.pdf.

Perceived threats to growth

Respondents view capital, liquidity, talent and monetary policy as top challenges to growth.

Overall, the directors and C-suite executives we surveyed identified the following challenges as posing the greatest threats to their organisation's growth during the next three years:

1. Talent — recruiting, retention and skilling
2. Access to capital and/or liquidity
3. New and emerging technologies
4. Central bank monetary policy, inflation and rising labour costs driving economic uncertainty
5. Rapid change from disruptive innovation

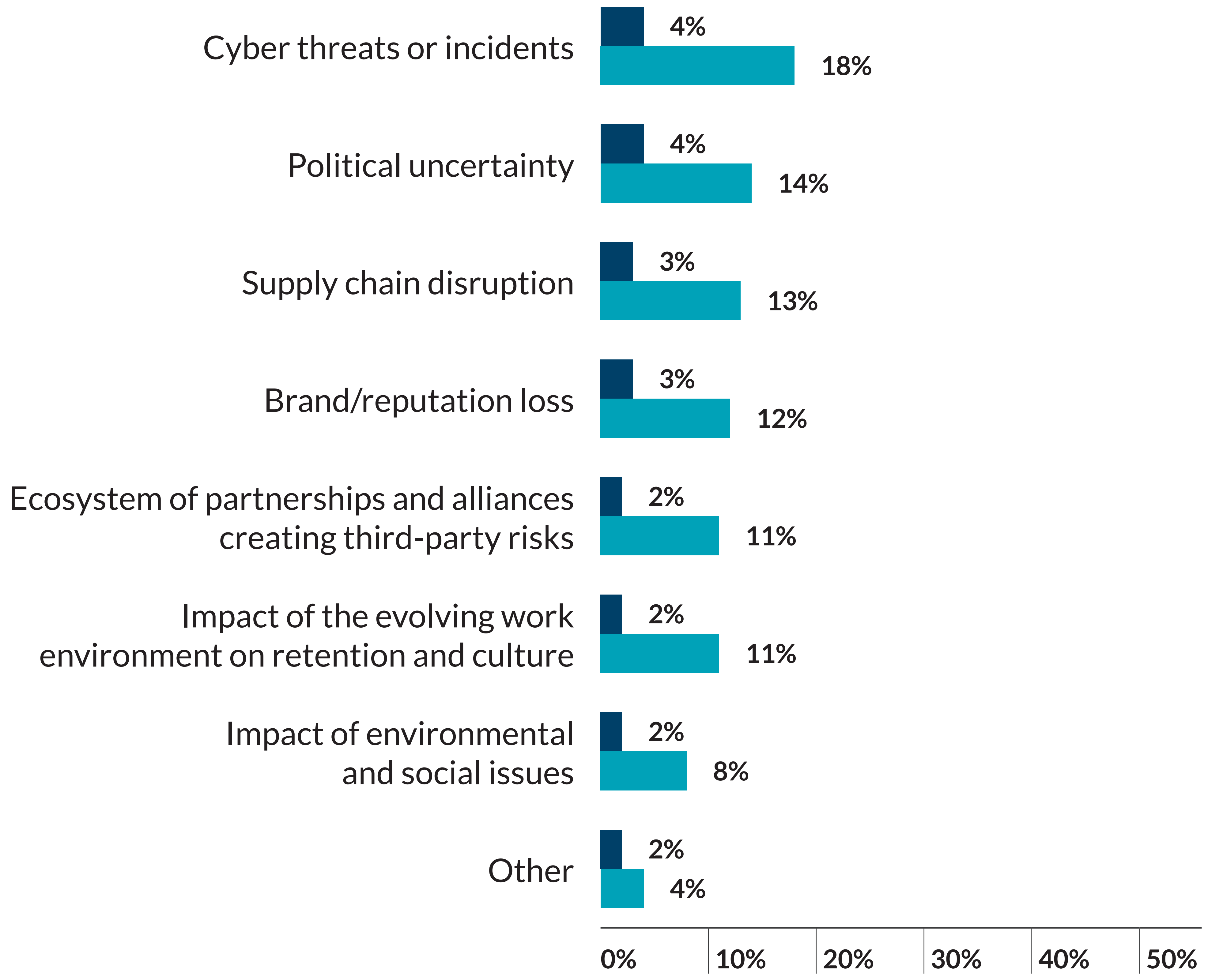
Talent concerns not only remain significant for most organisations today, but these challenges also underpin the other issues on the list. Talent wins and is vital to designing and executing differentiating strategies.

Concerns regarding access to capital and liquidity are understandable in this era of higher interest rates and the related impact on cost of capital. The reality is that many executives have been allocating capital with cheap money for a long time. Now all eyes are on the central banks, with the U.S. Federal Reserve and European Central Bank both unwilling to commit to the timing and frequency of rate cuts. New and emerging technologies and change from disruptive innovation are intertwined and, while containing risk, also present opportunities for boards and organisations that position themselves to capitalise on them. In the market, it's disrupt or be disrupted.

The chart on the following page summarises our survey results from all respondents regarding the threats we examined. These are listed in descending order by percentage of respondents who ranked each threat number one on their list. The chart on page 12 summarises the ranking of threats as perceived by our three respondent groups: board members, C-suite executives, and individuals who serve in both roles.

Greatest perceived threats to growth

Shown: All responses

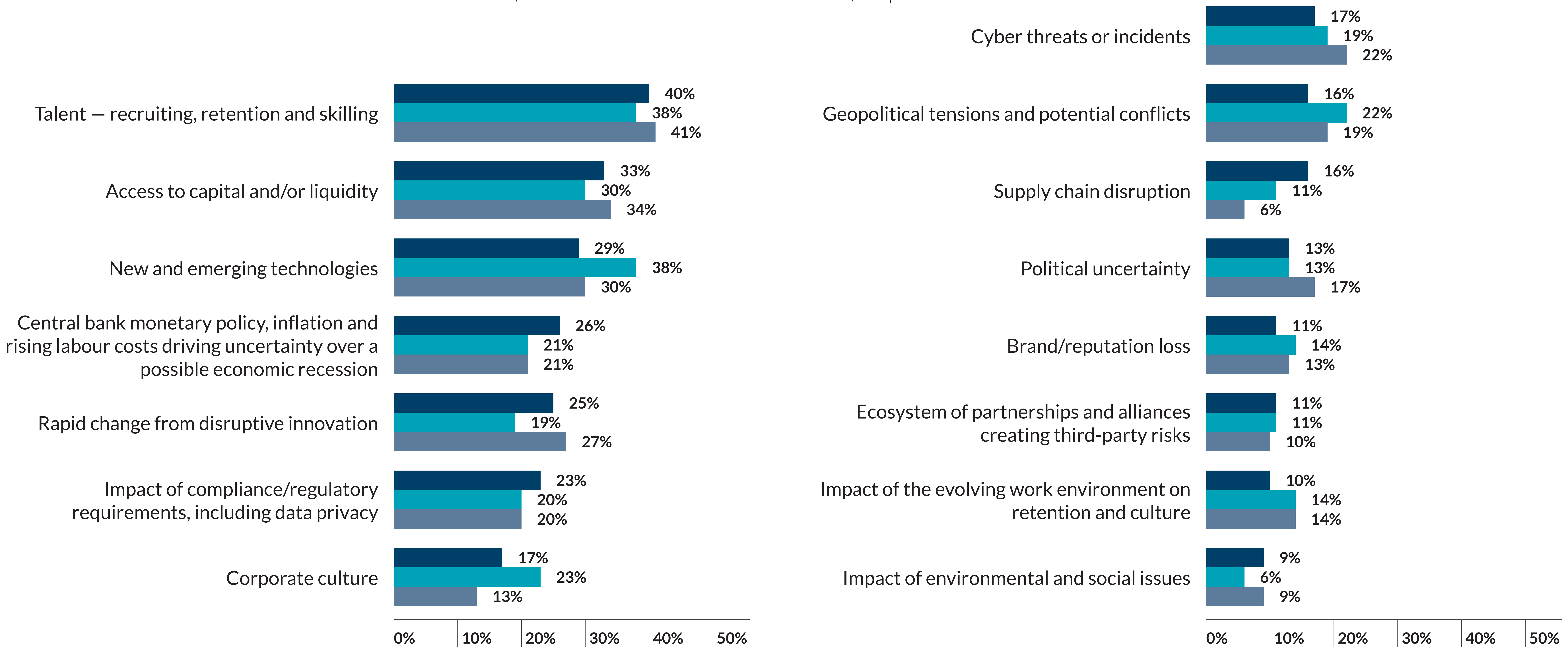


***Q.:** What are the 3 areas that you believe will pose the greatest threat to organisations' growth prospects in the next 2-3 years? (Displayed in descending order by percentage of threats ranked in each respondent's top three — this chart also displays the percentages of threats ranked first.)*

Ranked #1 Ranked Top 3

Greatest perceived threats to growth*

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses



Q.: *What are the 3 areas that you believe will pose the greatest threat to organisations' growth prospects in the next 2-3 years? (Displayed in descending order by percentage of threats ranked first by board members.)*

* "Other" results not displayed.

Board members (ranked top 3)
C-suite (ranked top 3)
Dual role (board member and C-suite executive) (ranked top 3)

Overall, the three respondent groups share similar views. However, there are some notable differences:

- C-suite executives see new and emerging technologies, corporate culture, and, to a lesser extent, geopolitical tensions and potential conflicts to be greater threats than do other respondents. Relative to other respondents, they are less concerned about rapid change from disruptive innovation.
- Board members expressed greater concerns about supply chain disruption as well as central bank monetary policy, inflation and rising labour costs compared with the other respondent groups.

The highest-rated threat assessments are important considerations in the strategy-setting process. A view of the respondents' assessment of current board priorities (see page 18) indicates that, by far, the highest board priority is strategic planning and execution.

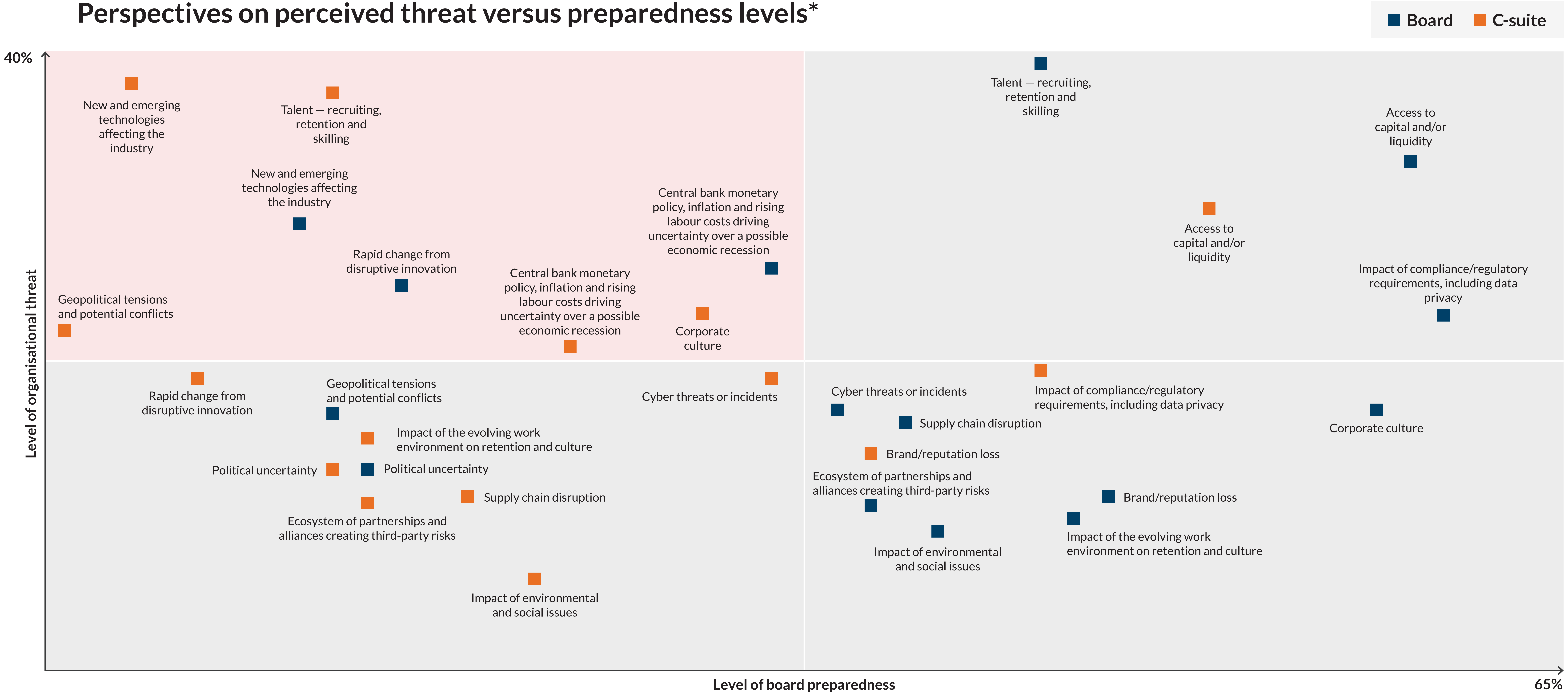
Our survey results suggest that substantial work is required to reduce these potential risks to an acceptable level and enable the organisation to pursue and achieve its growth objectives. Of the 15 threats respondents evaluated, the majority of respondents consider their board to be "very prepared" or "extremely prepared" for only three. None of the 15 threats received "very prepared" or "extremely prepared" ratings from more than 58% of all respondents.

Moreover, as illustrated in the perceptual chart on the following page, there are a number of areas where perceived threat levels are notably high relative to perceived levels of organisational preparedness to address these risks. Preparedness breeds resilience, and resilience supports the organisation's growth agenda. Interestingly, these areas mirror four of the top perceived threats to growth that are noted above — new and emerging technologies; talent recruiting, retention and skilling; rapid change from disruptive innovation; and central bank monetary policy, inflation and rising labour costs driving economic uncertainty.

Of particular note, our perceptual chart also shows that for every single threat to their company's growth prospects, directors rate the board's level of preparedness to address it to be higher than do C-suite executives. This represents a potential "blind spot" for boards as well as a potential failure of management to communicate effectively to the board. The board must understand where management sits on these issues — especially when there are requests for additional resources. The board's lack of understanding or clarity on these matters could mean that management has not provided the board with adequate information. Both directors and C-suite leaders need to put a spotlight on challenges of mutual concern and ensure there is clarity among both groups in regard to potential risks to the organisation. This is why periodic risk updates are so critical.

38% of C-suite executives see new and emerging technologies to be among their top three threats to the organisation's growth prospects, compared with 29% of board members.

Perspectives on perceived threat versus preparedness levels*

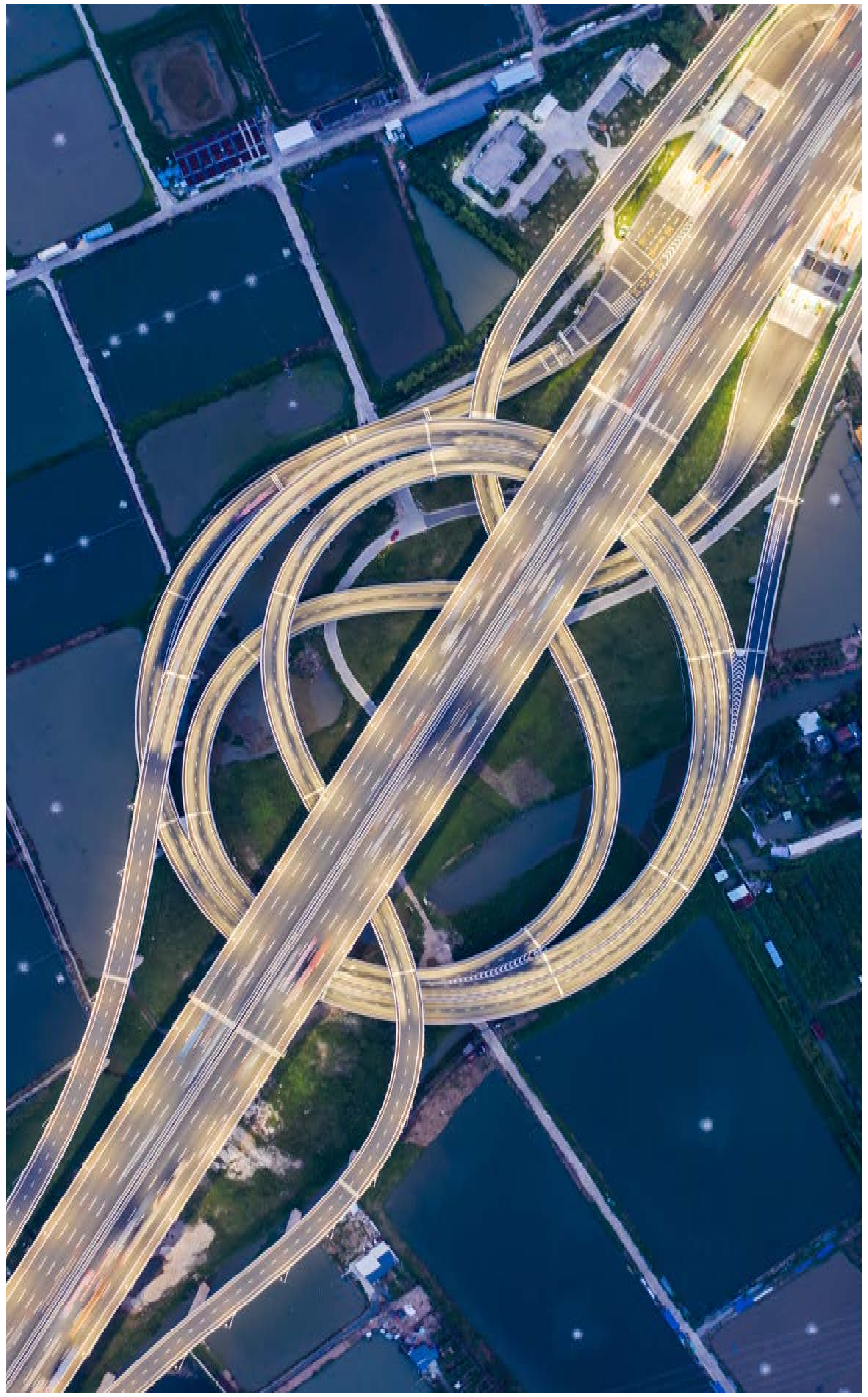


* Chart plotted by the aggregate percentage of the top three ranking for each perceived threat and the aggregate percentage for the top two box score (i.e., those who selected "Extremely prepared" or "Very prepared" on our 5-point scale) for perceived board preparedness. Results are based on the following questions: "What are the three areas that you believe will pose the greatest threat to organisations' growth prospects in the next 2-3 years?", and "Please rate your board's level of preparedness to address each of the following threats."

Board and C-suite divergence on threat preparedness is most pronounced for risks related to talent management, organisational culture and third-party risk; again, executive leaders rate the board's threat preparedness lower in each of those areas compared with board members. This divergence suggests a need for board members to better understand the concerns of their company's senior leaders, particularly if they are requesting more resources and support to meet expectations.

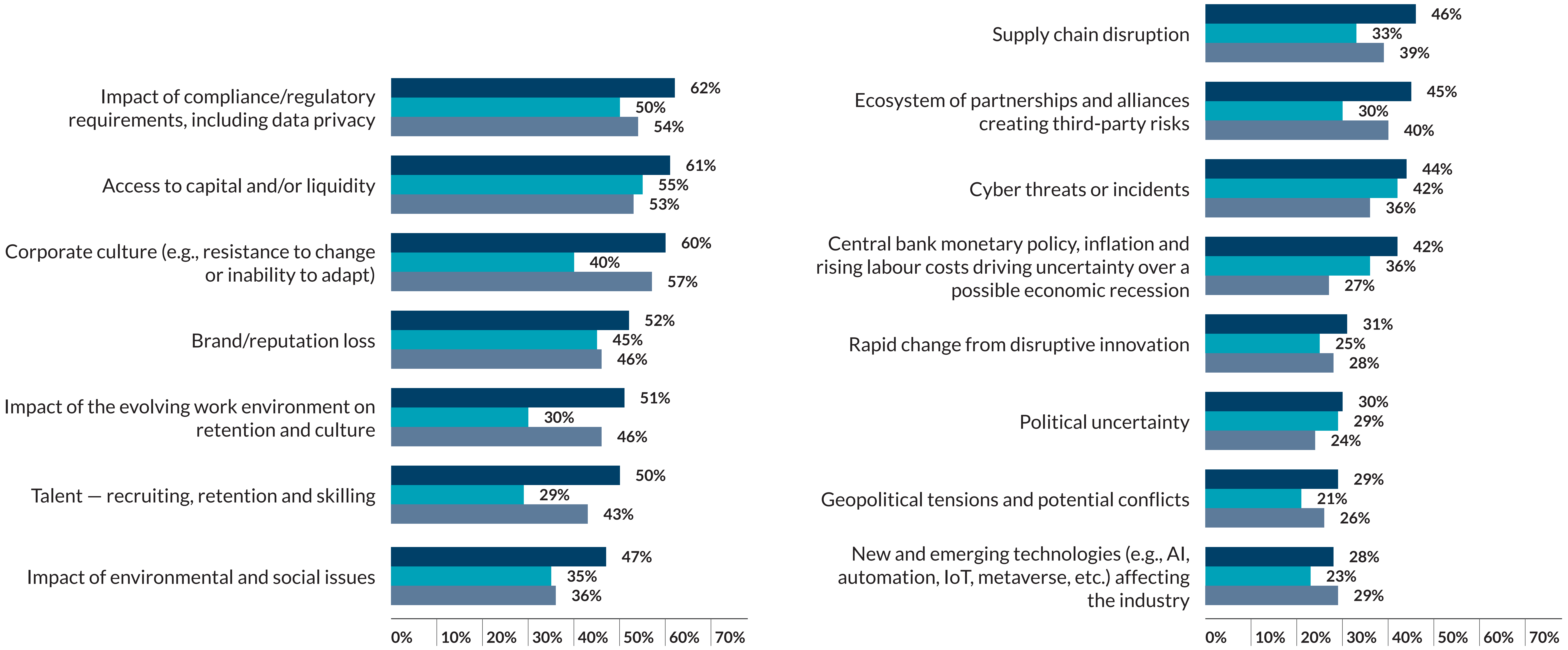
As illustrated in the following chart, respondents indicated that their boards are best prepared to address regulatory compliance requirements (including data privacy rules) and access to capital and/or liquidity. Board members and C-suite executives appear to be least confident of the organisation's capabilities related to mitigating risks from non-linear, disruptive events stemming from bleeding-edge innovation, political uncertainty, new and emerging technologies, and geopolitical tensions and potential conflicts. Each of these challenges looms especially large for the coming year and beyond.

50% of directors believe their board is either "extremely prepared" or "very prepared" to address the threat of talent recruiting, retention and reskilling, while only 29% of C-suite executives believe their board is "extremely prepared" or "very prepared" for this challenge.



Perceived level of board preparedness to address threats

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses



Q.: *Please rate your board's level of preparedness to address each of the following threats (5-point scale where 1 indicates "not at all prepared" and 5 indicates "extremely prepared"). Shown: Percentage of "extremely prepared" and "very prepared" responses.*

Board members | C-suite | Dual role (board member and C-suite executive)

Where the board and C-suite are — and are not — aligned with respect to board performance

Strategic planning tops board priority lists, but directors and executives differ in their assessments of board performance

When it comes to board performance, differences in perception among directors and executives can be insightful, especially when these differences take the form of diversity of expertise, skills and composition that bring new and unique views to the boardroom table. In other governance areas — including the setting of strategy and board priorities, how the board allocates its time, and board meeting dynamics, among others — too much variance can create friction that inhibits the board's effectiveness in adding value. While perfect alignment is elusive, the trick lies in striking the right balance, one that yields thoughtful, candid and productive engagement between the board and management.

Discussions of board performance are important. Directors and C-suite leaders alike are under pressure as their companies face significant disruption in an uncertain global marketplace. Many recognise it is just a matter of time before they need to alter their business model in response to evolving markets and the emergence of new technologies such as generative AI. Some may even be concerned that their executive teams lack the agility to deal with the pace of change. The bottom line: CEOs need a board that is able to help them face the future confidently.

Below, we highlight the degree to which board members and executive leaders align in their evaluations of key areas of board performance.

Priority-setting, strategic planning and execution, and board time and attention

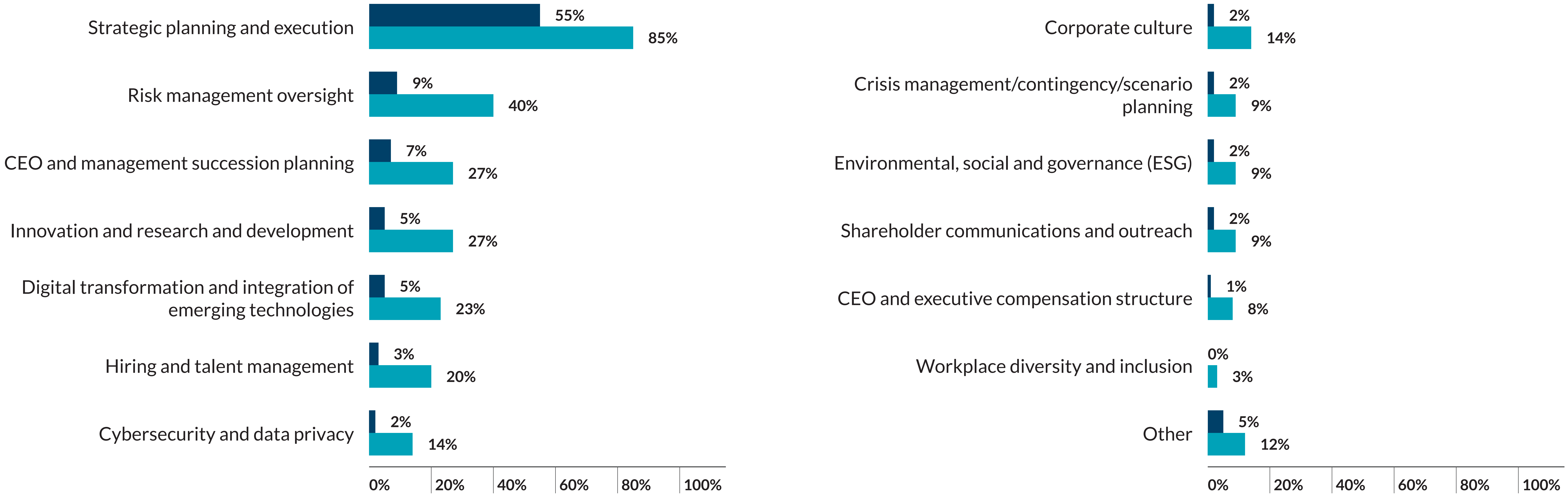
Good news: Boards and C-suite leaders clearly are on the same page regarding the board's priorities. For all respondents, strategic planning and execution rates as the top board priority — and by a wide margin. This aligns to one of the board's core governance objectives and is certainly responsive to the challenge of evolving markets.

As shown on the following page, risk management oversight, CEO and management succession planning, digital transformation and integration of emerging technologies, and innovation and research and development are other top board priorities for directors and C-suite leaders. This, again, is good news as these areas relate to market-driven expectations of boards and reflect an outward-looking lens that emphasises change and a strong focus on market opportunities and emerging risk issues.

The chart on page 19 further illustrates the alignment of our three groups of survey respondents.

Top priorities for the board

Shown: All respondents

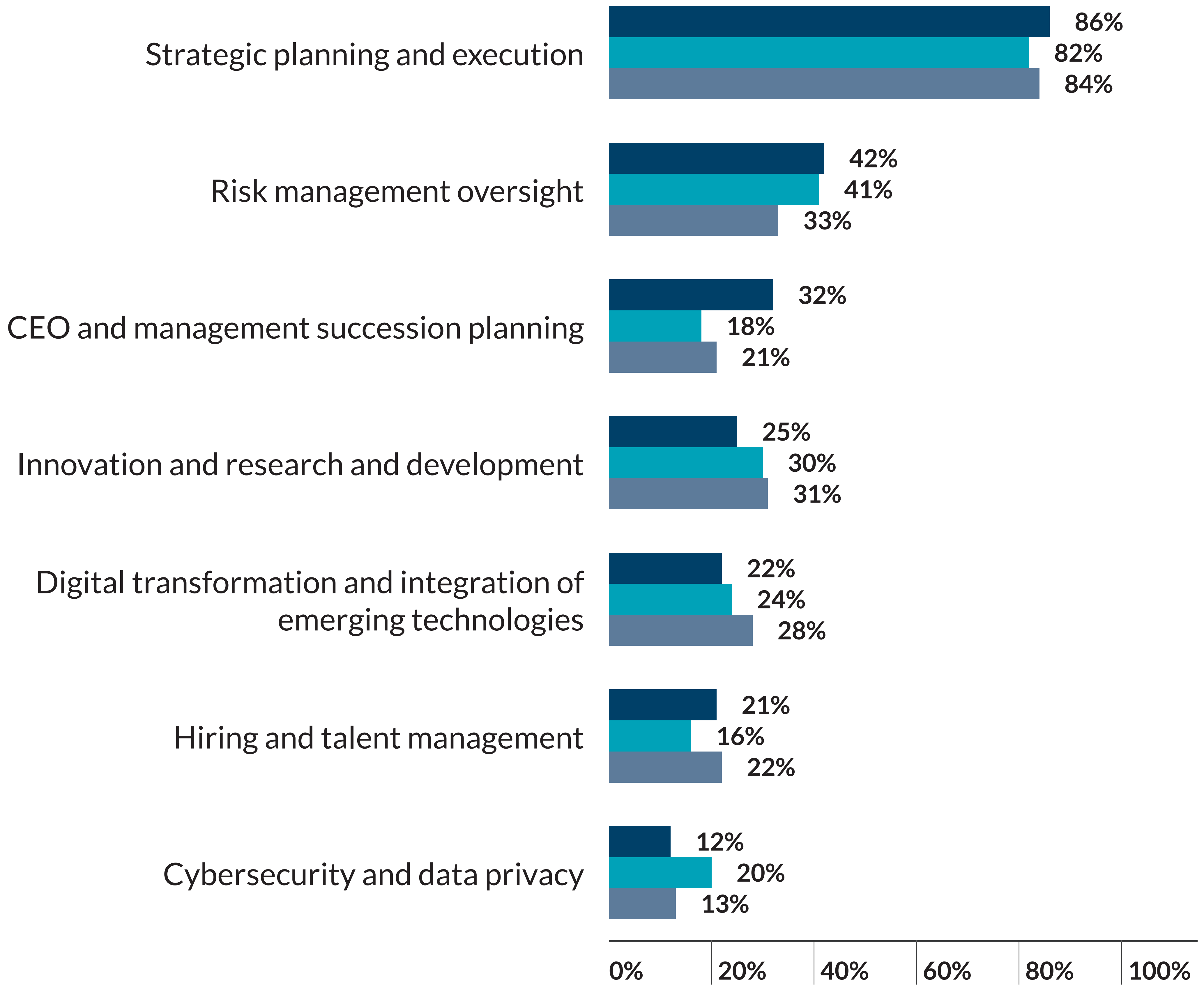


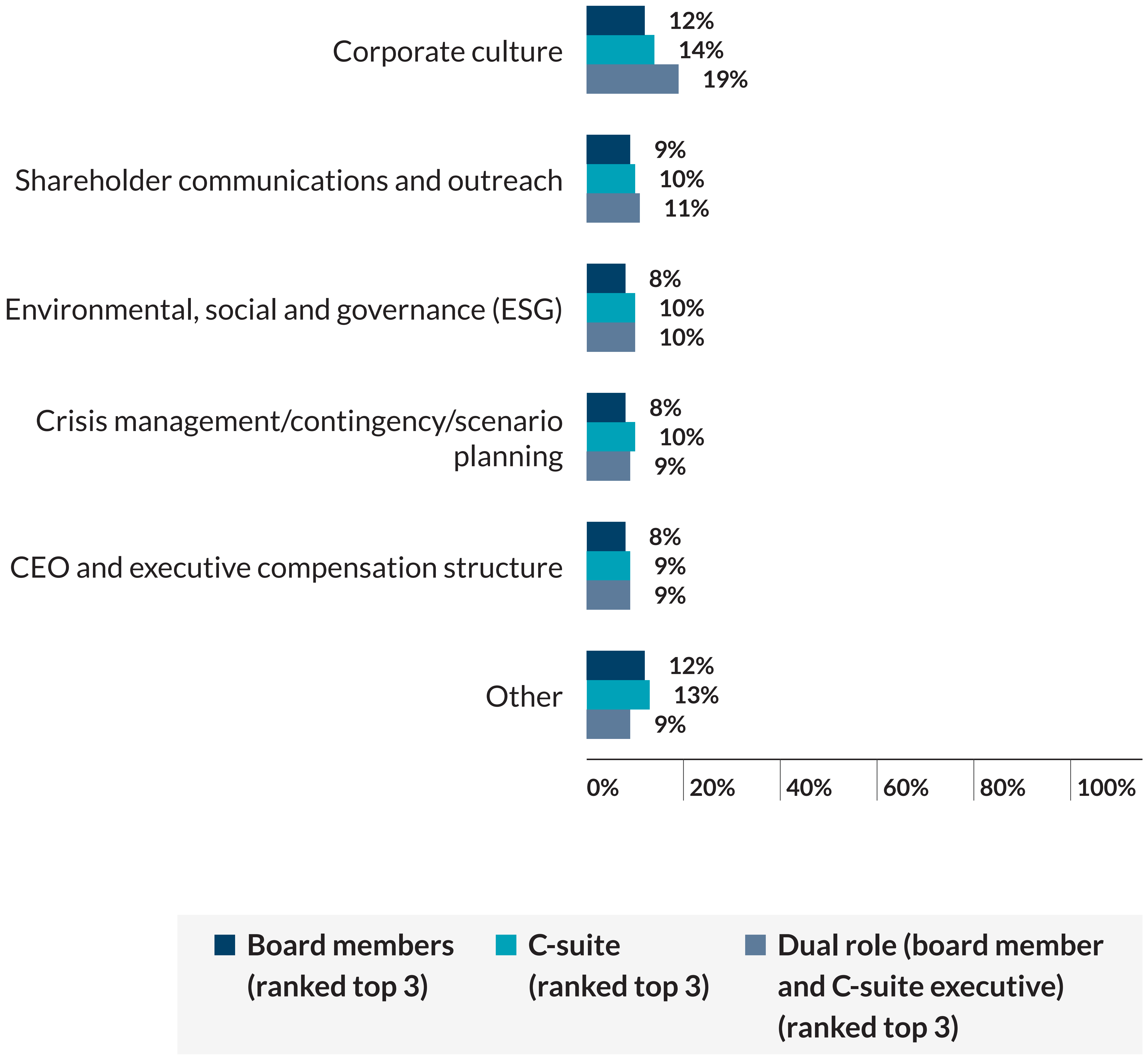
Q.: *What are the top three priorities of your board? (Displayed in descending order by percentage of priorities ranked in respondent's top three.)*

Ranked #1 Ranked Top 3

Top priorities for the board

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses





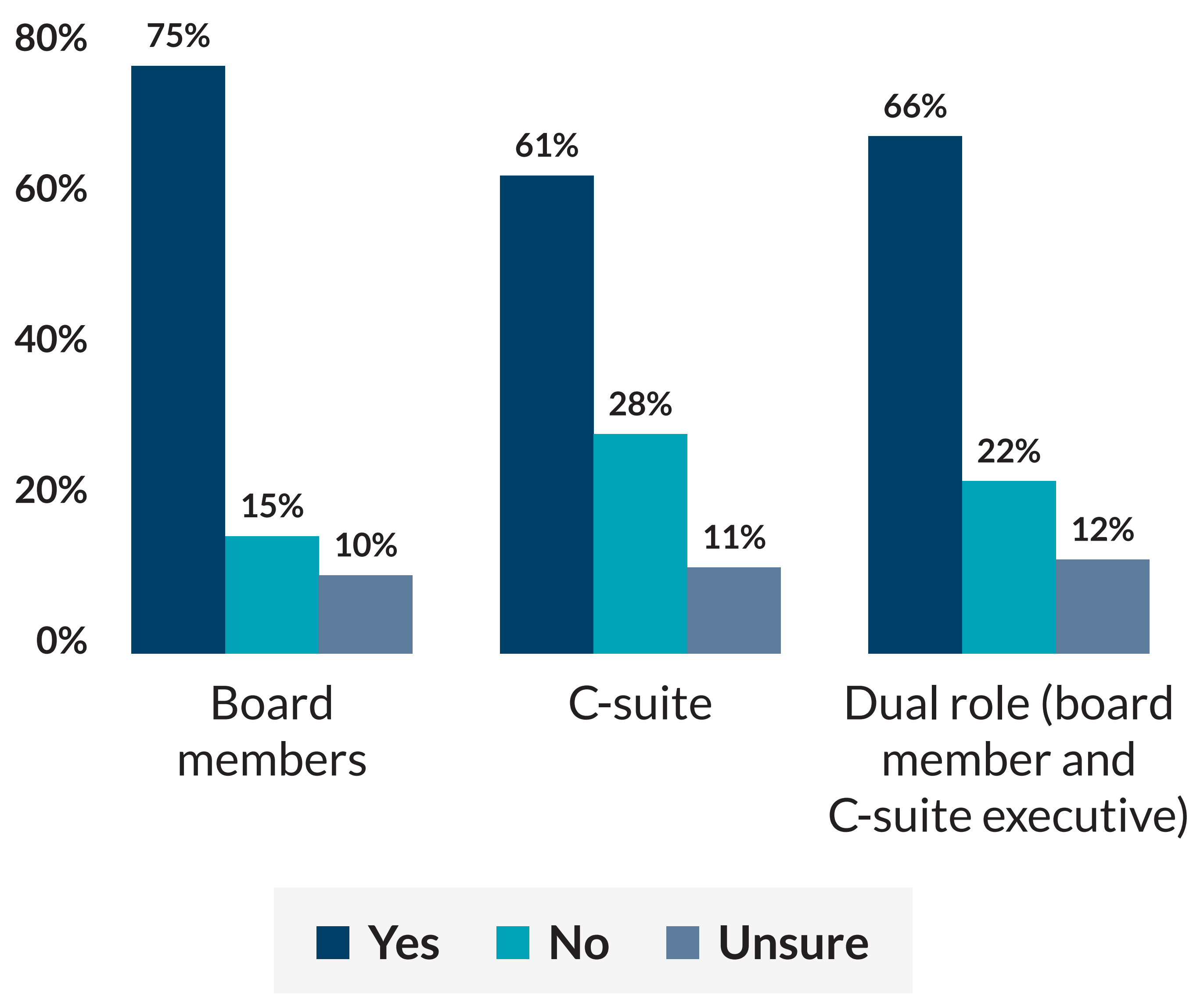
Q.: *What are the top three priorities of your board? (Displayed in descending order by percentage of priorities ranked in the top three by board members.)*

While boards manage numerous competing priorities, it is noteworthy that environmental, social and governance (ESG) matters currently rank near the bottom of their priority lists. Fewer than one in 10 board respondents ranked ESG as a top three board priority (of note, 83% of the respondents to the survey were from the United States). Any ESG backlash aside (which has been more of an issue in the U.S. versus other countries), ESG strategy and reporting qualifies as a pressing regulatory matter. Now that the U.S. Securities and Exchange Commission has finally released its climate disclosure rules, the "E" in ESG is becoming clearer for issuers listed on U.S. exchanges. More importantly, hundreds of U.S. and global companies are already on the clock to comply with the European Union's sweeping Corporate Sustainability Reporting Directive (CSRD) at a time when other countries and regions are enacting similar climate-related disclosure requirements.

Circling back to the top priority, the overarching importance ascribed to strategic planning does not automatically translate to success, however. The following chart focuses on the organisation's agility and ability to pivot in response to change.

Views on strategic planning and organisational agility

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses



Q.: *Does your organisation have an effective strategic planning process that facilitates organisational agility and the ability to pivot in response to market developments?*

While approximately seven out of 10 respondents agree that their organisation's strategic planning process "facilitates organisational agility and the ability to pivot in response to market developments," C-suite respondents (61%) are considerably less likely to agree with that statement than board respondents (75%). This divergence in views suggests that some board members may not be as attuned to changing market realities as they think they are.

This is an important strategic conversation. It is imperative that companies undertake appropriate steps to ensure they remain connected to the customer experience, invest in future growth and position themselves to innovate and compete in the evolving global economy. As markets evolve, so should companies. The board should set the tone for this conversation with the organisation's leaders.

The following chart focuses on areas in which the board may not be devoting sufficient time and attention.

Areas perceived to not receive enough time/attention

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses

Q.: With respect to the areas of emphasis in the previous question ("What are the top three priorities for your board?"), which of the following, if any, do not receive sufficient board time/attention? (Multiple responses permitted; displayed in descending order by percentage of areas that do not receive enough time/attention from board members.)

Board members | C-suite | Dual role (board member and C-suite executive)

Board member respondents indicated that crisis management, digital transformation, organisational culture and cybersecurity are the topics in greatest need of board time and attention.

- The need for a stronger focus on crisis management makes sense because crises have become the norm rather than the exception. Preparedness is a reputation play. As the coming year unfolds, new and existing geopolitical, economic, environmental, social and cyber-related crises could arise and/or conflagrate.
- Cybersecurity is a top risk area, both near and long term. Increasingly sophisticated bad actors make this a key topic of interest to boards. Directors need to align themselves with market expectations of boards to exercise vigilant cybersecurity oversight.
- That digital transformation is a topic requiring more board attention is a red flag. In the digital age, this strategic conversation is ultimately about enabling the organisation to function at the speed of the market. Boards should be positioned to challenge conventional thinking and assist management in transforming customer experiences and disrupting long-established value chains. It's disrupt or be disrupted. This topic requires a deep understanding of emerging and maturing technologies and the ability to apply them in imaginative ways to drive disruptive innovation and rethink the organisation's business model and its positioning within the value chain.
- Organisational culture is another important topic. In our view, a trust-based, diverse and inclusive culture fostered by a CEO and leadership team that is authentic, connected and transparent is needed to break down barriers of resistance and enhance organisational preparedness, agility and decisiveness. The board has an important role to play in setting the tone for building a fit-for-purpose culture in a rapidly changing environment.

85% of board members and C-suite executives consider strategic planning and execution a top priority for their board. However, 29% do not believe their organisation has an effective strategic planning process that facilitates organisational agility and the ability to pivot in response to market developments.

Of note, in contrast to the views of director respondents, a higher percentage of C-suite respondents believe the board should devote more time and attention to corporate culture along with hiring and talent management.

With regard to those areas perceived not to be receiving sufficient time and attention in the boardroom, there are a number of notable variations by industry:

- Within Financial Services, one in four respondents believe the board does not devote sufficient time and attention to innovation, including research and development, whereas the response is no higher than 15% for other industry groups. This makes sense in an industry coping with fintechs and "born digital" competitors.
- One in four Manufacturing and Distribution (M&D) industry group respondents (25%) believe the board does not devote sufficient time and attention to digital transformation and integration of emerging technologies, compared with, at the low end, 14% of Technology, Media and Telecommunications (TMT) industry group respondents. This is to be expected given the focus of TMT organisations on innovation. Many companies within the M&D group are undergoing the transition to so-called "Industry 4.0" — a convergence of technologies that promises remarkable outcomes, including better use of resources, less

nonproductive time, lower overall operating costs, and wide networks of interconnected devices (the Industrial Internet of Things). They are pursuing digital transformation and automation on multiple fronts, including the digitisation of processes, products and services through AI, robotics and advanced analytics.

- Relative to other industry groups, Healthcare industry respondents see corporate culture as a key area that does not receive sufficient board attention (29%), whereas just 15% of Financial Services respondents see this as an issue. The attrition experienced in the Healthcare industry makes culture a strategic imperative.
- For Energy and Utilities industry group respondents, ESG is perceived by only 8% as not receiving sufficient board time and attention (roughly half of the response from other industry groups) — this may reflect increased attention on this topic by Energy and Utilities boards over the past few years.
- Compared with other industry groups, cybersecurity, data privacy and risk management oversight appear to be less-critical issues to which boards in the Financial Services industry do not devote sufficient time and attention, likely because, driven by regulation, these areas have been key parts of the board agenda in the industry in recent years.
- A higher percentage of respondents from the Consumer Products and Services (CPS) industry group (17%) believe the board does not devote sufficient time and attention to strategic planning and execution, compared with 6%-12% of respondents from other industry groups. This is possibly due to CPS companies facing continued extensive disruption in the years to come. In the digital age, consumers have more choices than ever before.

> *60% of directors believe the board has a high level of preparedness to address corporate culture-related challenges, compared with 40% of C-suite executives who believe the board has a high level of preparedness to address these issues.*

Board performance and meeting dynamics

More good news: A vast majority of all respondents "agree" or "strongly agree" that board members provide input into, and approve, corporate strategy and major policy decisions; represent the interests of shareholders and appropriate stakeholders; place the interests of the company ahead of their own interests; and devote sufficient time to fulfilling their responsibilities, among other practices. These are results everyone would hope to see!

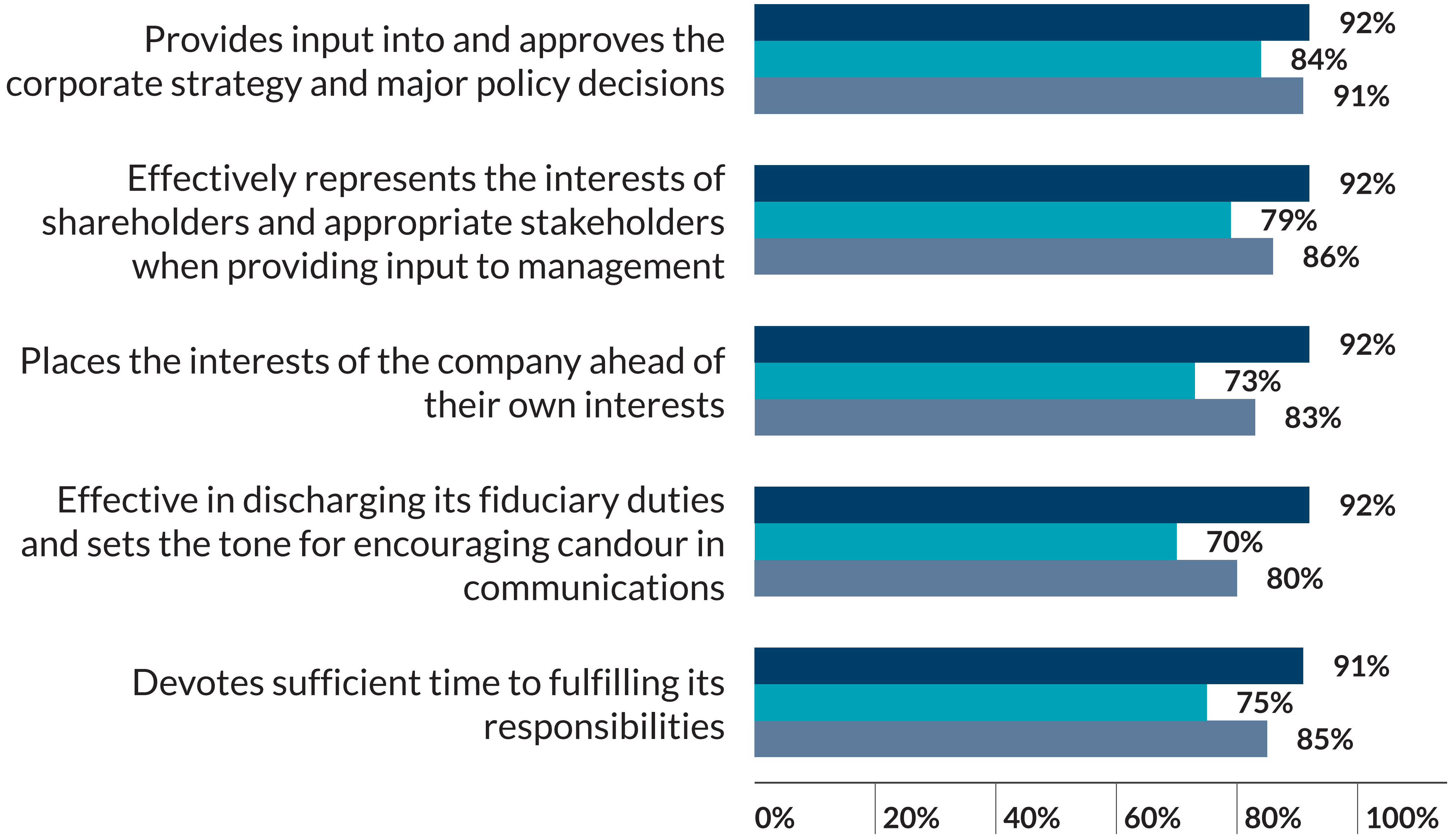
That said, compared with C-suite executives, board members rate themselves higher across all the performance-related areas explored in our survey. Differences in board performance assessments are most pronounced in three areas:

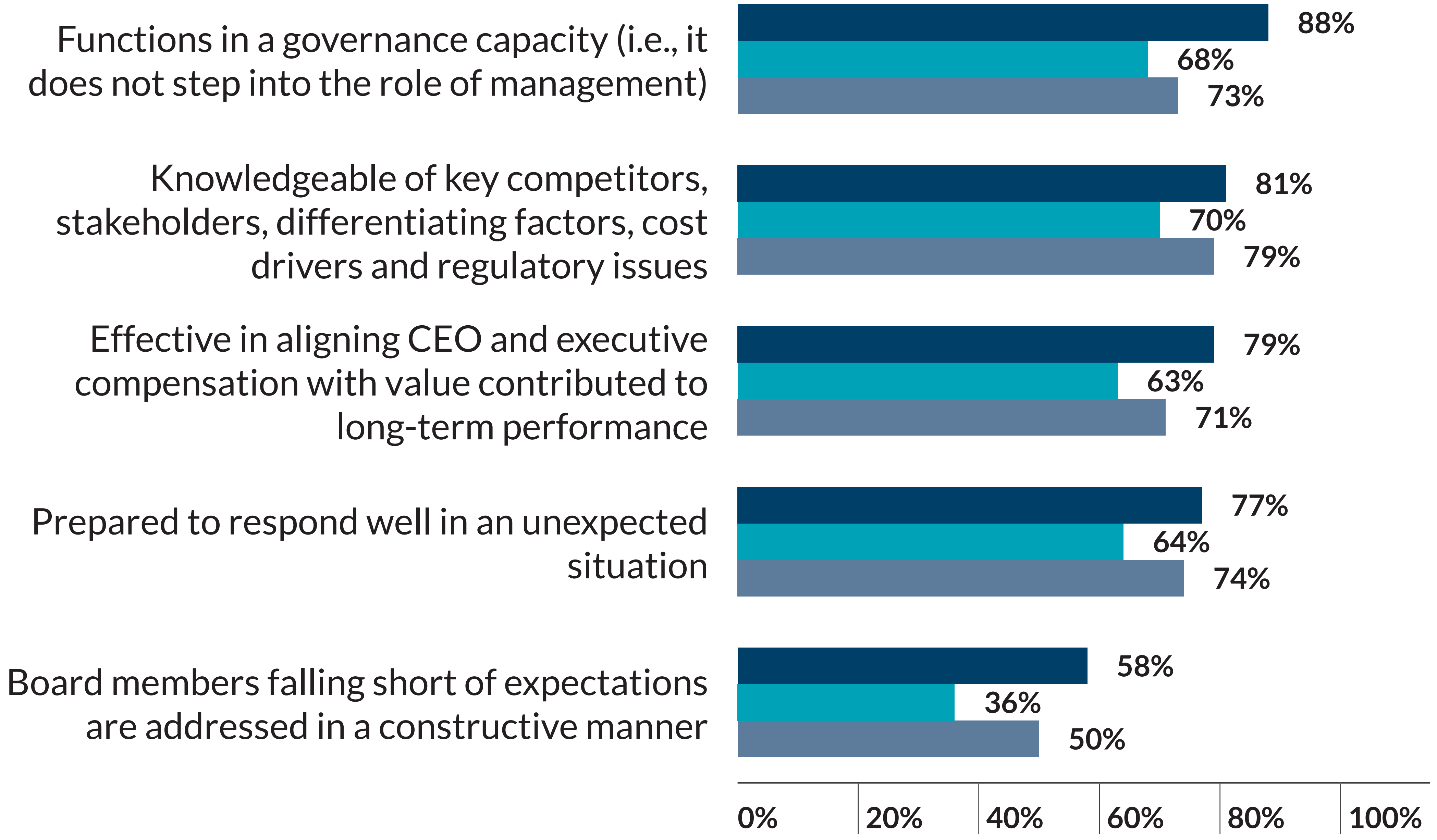
1. The board is effective in discharging its fiduciary duties and setting the tone for encouraging candour in communications.
2. Board members who fall short of expectations are addressed in a constructive manner.
3. The board functions in a governance capacity (i.e., it does not step into the role of management).

While it may not be surprising that more C-suite leaders see board members as occasionally straying onto their managerial turf, the finding does call for ongoing attention by directors to ensure they are appropriately delineating their oversight responsibilities from management's day-to-day role.

Views on board performance

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses





Q.: *Rate your level of agreement or disagreement with the following statements about your board (5-point scale where 5 indicates "Strongly agree" and 1 indicates "Strongly disagree"). (Displayed in descending order by percentage of statements ranked "Strongly Agree" and "Agree" by board members.)*

- Board members (rated "Agree" or "Strongly agree")
- C-suite (rated "Agree" or "Strongly agree")
- Dual role (board member and C-suite executive) (rated "Agree" or "Strongly agree")

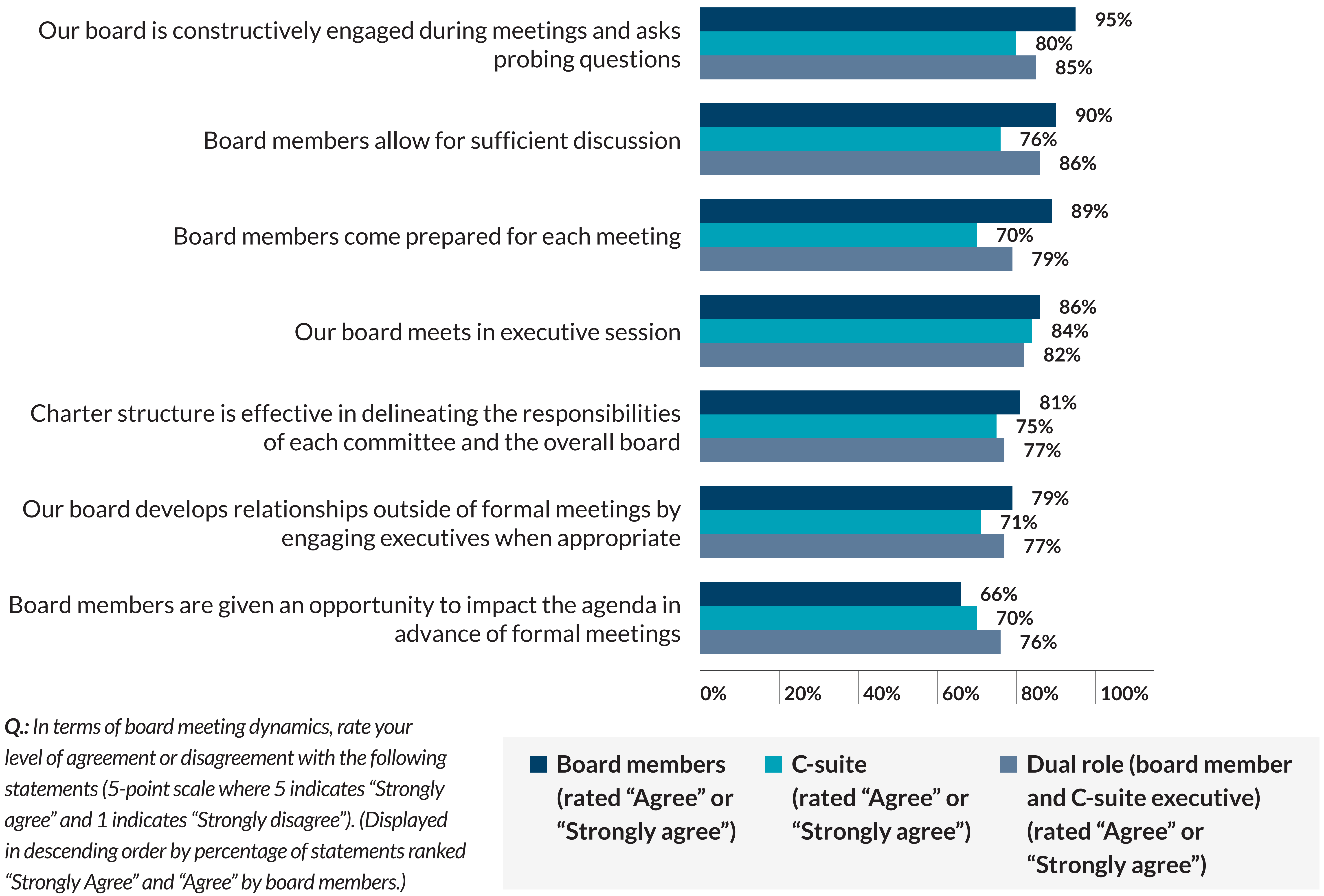
As noted on page 24, in all aspects of board performance we examined, directors rated their performance higher than senior executives. Perhaps this is due to human nature. But it is also a signal that input from senior executives can be insightful when the board self-assesses its performance.

Only 58% of board members and 36% of C-suite leaders agree that board members falling short of expectations are addressed in a constructive manner, suggesting a need for improvement in elevating the performance of underperforming directors or offboarding directors who are unable to improve their contribution.

The manner in which individual directors interact with each other in and out of the boardroom in discharging their fiduciary duties to the organisation on behalf of shareholders is an important foundation for board governance. A healthy board dynamic founded on transparency and trust is an imperative for successful, effectively functioning boards. The following chart focuses on this important area.

Views on board meeting dynamics

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses



***Q.**: In terms of board meeting dynamics, rate your level of agreement or disagreement with the following statements (5-point scale where 5 indicates “Strongly agree” and 1 indicates “Strongly disagree”). (Displayed in descending order by percentage of statements ranked “Strongly Agree” and “Agree” by board members.)*

Overall, survey respondents give high marks to board meeting dynamics. As is the case with board performance, directors rate board meeting dynamics as more effective compared to C-suite respondents. Among all respondents, the highest-rated elements of meeting dynamics include the board's engagement during meetings (e.g., asking probing questions) and allowing for sufficient discussion.

Of note, C-suite respondents are substantially less likely to agree that 1) board members come prepared for each meeting, and 2) board members are constructively engaged during meetings. For their part, board members agree less frequently that they are given an opportunity to influence the agenda in advance of formal meetings. Of course, preparation is a two-way street. These results suggest the need for candid conversations between the CEO and the board chair or lead director and ultimately within the boardroom itself. Preparedness for and engagement during meetings are table stakes for an effective board. Lack of preparedness and directors who are not fully engaged in meetings are unhealthy behaviours. If some board members are not pulling their weight, that is a relevant topic between the board chair/lead director and those directors. Addressing the involvement of all directors in setting board meeting agendas may be a useful way to plan for future meetings.

Diversity of thought

When assessing the diversity of thought present on the board, respondents place the greatest value on diversity of skill and experience, industry knowledge and experience, understanding of technology developments/application, knowledge of other industries, and gender diversity. Across all respondents, diverse political views, geographical diversity and generational (age) diversity are less important factors, with fewer than 20% of respondents considering them to be "very important." In between these two groups are racial diversity and board tenure.

95% of directors believe the board is constructively engaged during meetings and asks probing questions — versus 80% of C-suite executives.

Views on diversity of thought in the boardroom

Shown: Board member vs. C-suite executive vs. Dual role (board member and C-suite executive) responses

	Board member		C-suite executive		Dual role (board member and C-suite executive)	
	Very/somewhat important	Not very/not at all important	Very/somewhat important	Not very/not at all important	Very/somewhat important	Not very/not at all important
Diversity of skill and experience	97%	3%	93%	7%	94%	6%
Knowledge of and experience in the industry	95%	5%	95%	5%	91%	9%
Knowledge of technological developments and their application	93%	7%	85%	15%	87%	13%
Knowledge of and experience in other industries	87%	13%	80%	20%	83%	17%
Gender diversity	81%	19%	71%	29%	71%	29%
Diversity of board tenure	78%	22%	74%	26%	64%	36%
Racial diversity	71%	29%	61%	39%	60%	40%
Generational diversity (age)	71%	29%	63%	37%	66%	34%
Geographic diversity	51%	49%	47%	53%	49%	51%
Diversity of political views	37%	63%	40%	60%	36%	64%

***Q.:** How important are the following factors in achieving the desired diversity of thought in the boardroom? (Displayed in descending order by percentage of "Very important" and "Somewhat important" responses by board members.)*

These results suggest that skill and experience, industry knowledge, technology savviness, knowledge of other industries, and gender diversity are attributes boards are primarily looking for as they onboard new candidates. These attributes should not rule out the other diversity of thought factors, however. A commitment to the requisite attributes contributing to the desired diversity of thought is a continuous journey. It should be entrenched into the nominating committee's mindset, criteria and expectations for evaluating board candidates as part of the selection process. A company's circumstances will change over time, but the need for diversity of thought will not. The critical question: Do the directors serving on the board possess the requisite experience, expertise and knowledge that position them to provide the advice and counsel the CEO needs to succeed?

A closer look — talent and culture governance

Our results indicate that talent management and organisational culture demand more board attention — and more consensus

A systemic talent gap restricts organisations' ability to build new technology competencies; adopt AI, blockchain applications, quantum computing tools and other emerging technologies; and fulfill the promised value of sizeable digital transformation investments. It also can frustrate an organisation's efforts to design and execute differentiating strategies in the marketplace.

A notable divide exists between the board and C-suite in prioritising similar talent and culture gaps, according to the survey results. When asked to identify priorities that receive insufficient time and attention during board meetings, a substantially higher percentage of C-suite respondents identified corporate culture and hiring/talent management, compared to board respondents (see page 21). More C-suite respondents point to organisational culture as the topmost issue in need of more board consideration and agenda time. Related to this, more C-suite respondents view corporate culture as a threat to the organisation's growth prospects compared with board member and board member/C-suite respondents. This is a gap that warrants attention in the boardroom.

Corporate culture has fallen under the spotlight in recent years amid the transition to remote and hybrid working models, the entrance into the workplace of multiple generations of workers, and the impact of emerging technologies. Today, more so than in the past, an organisational culture must address an increasingly diverse set of employee priorities and expectations. And this is vital: The strength and health of an organisation's culture will play a growing role in attracting and keeping the best talent and the most difficult-to-source skills.

The board should ensure that the organisation's leaders take a fresh look at the long-term value that a high-performing organisational culture can generate. A first-rate culture diminishes workforce backlash to cost reduction measures, drives a range of favourable short- and long-term business outcomes, and bolsters recruiting and retention activities. Strong organisational cultures also play a pivotal role in helping companies accelerate out of economic downturns faster than their competitors. And above all, creating a strong company culture is the right thing to do! Taken together, these factors make culture-building a priority.

When it comes to culture, the perception gap between the board and C-suite suggests a need for focused strategic conversations, particularly given the realities of the current labour market in which the entire concept of sourcing skilled labour is undergoing a sea change. There simply is not enough skilled talent walking the streets, and this shortage will only grow more acute in the coming years as the baby-boomer generation transitions into retirement. Traditional HR functions are no longer fit for purpose, making it imperative for organisations to overhaul talent management strategies while leveraging their cultures as a competitive advantage from a recruitment, reskilling, retention and innovation perspective. Boards should evaluate and advise on investments needed to upgrade the organisation's talent strategy so that it is aligned with market realities and the company's strategy. Succession planning and leadership development activities also warrant more stringent stress-testing from boards.

A closer look — new and emerging technology governance

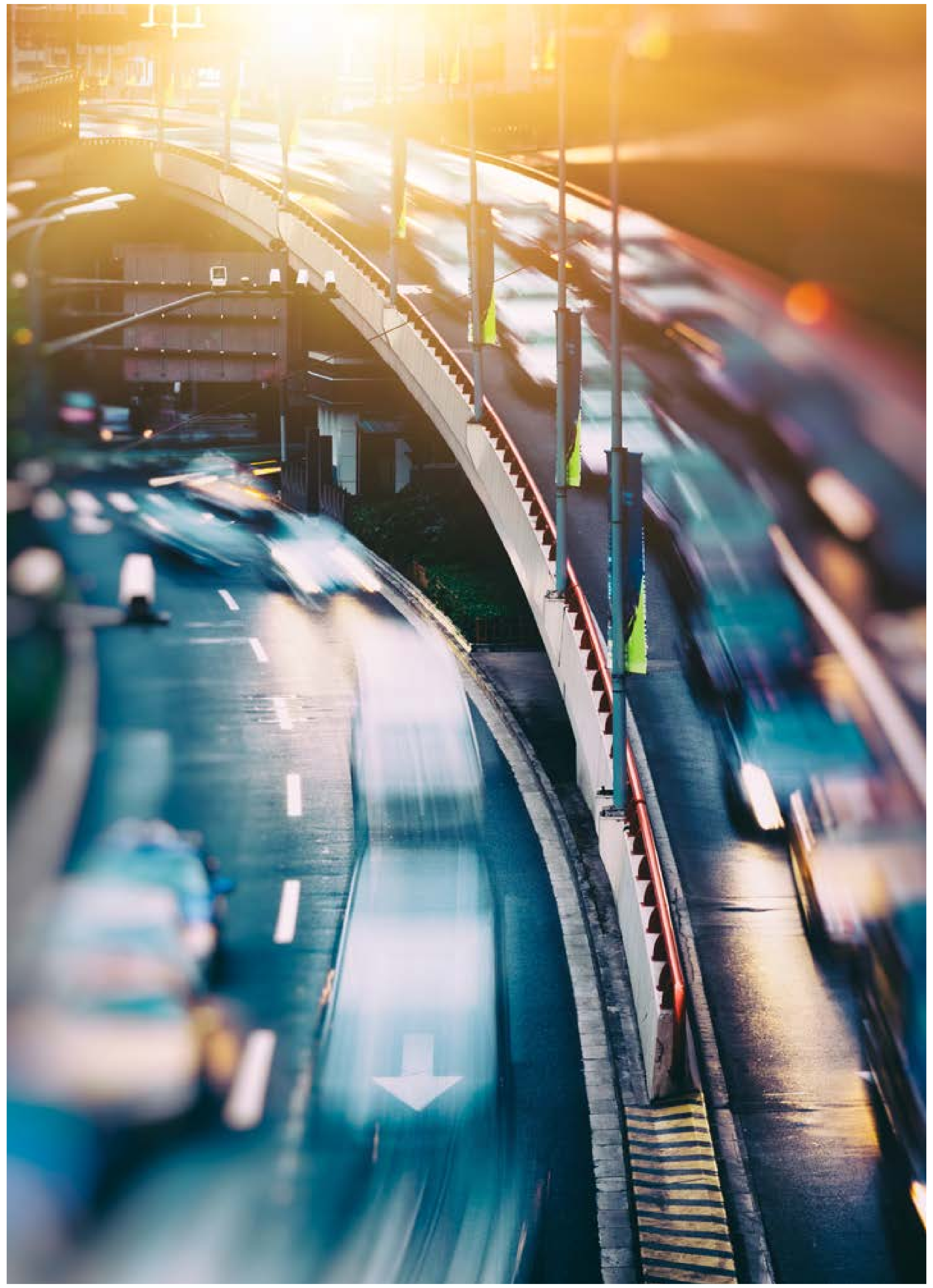
Digital transformation, the integration of new technologies and cybersecurity warrant more board attention

The discussion of talent and culture is interrelated with the conversation around new and emerging technologies. Managing the evolving digital landscape and implementing complex digital strategies require the best and brightest talent. "Talent wins" is a cliché that applies especially in the digital game. Conversely, digital technologies are powerful enablers of increased productivity, innovative strategies and cost savings, providing a pathway for companies to manage the impact of skilled labour shortages. These developments offer exciting opportunities, but not without a downside. As digital initiatives, AI (including generative AI), cloud and the anticipated emergence of quantum computing introduce new infrastructure and capabilities, fresh cyber threats are spawned that require new proactive and reactive countermeasures. Geopolitical tensions and increasing reliance on third parties are also contributing to the cyber threat landscape. Data privacy issues emerge, as well.

In our view, to keep pace with evolving markets, boards should possess the knowledge and expertise to understand and assess the organisation's core technology strategy and operations while evaluating and contributing to capital allocation decisions regarding potential technology investments. Also, when needed, directors should engage in strategic conversations around digital innovation initiatives and thinking.

As is the case with talent management and organisational cultures, board members and executive leaders should consider devoting sufficient meeting time to focus on opportunities and risks related to digital transformation, cybersecurity, third-party relationships, AI applications and other technology-related matters.

> *Directors should engage in strategic conversations around digital innovation initiatives and thinking.*



Boards should emphasise the importance of staying close to the customer experience, keeping an eye on relevant market trends, organising for speed and embracing change. As most innovation is technology-driven, the boardroom agenda should allocate sufficient time to discuss the company's innovation strategy. This dialogue should be supported with appropriate innovation-related metrics that summarise the results the strategy is delivering, return on investment, and the effectiveness of the company's innovation culture and capabilities.

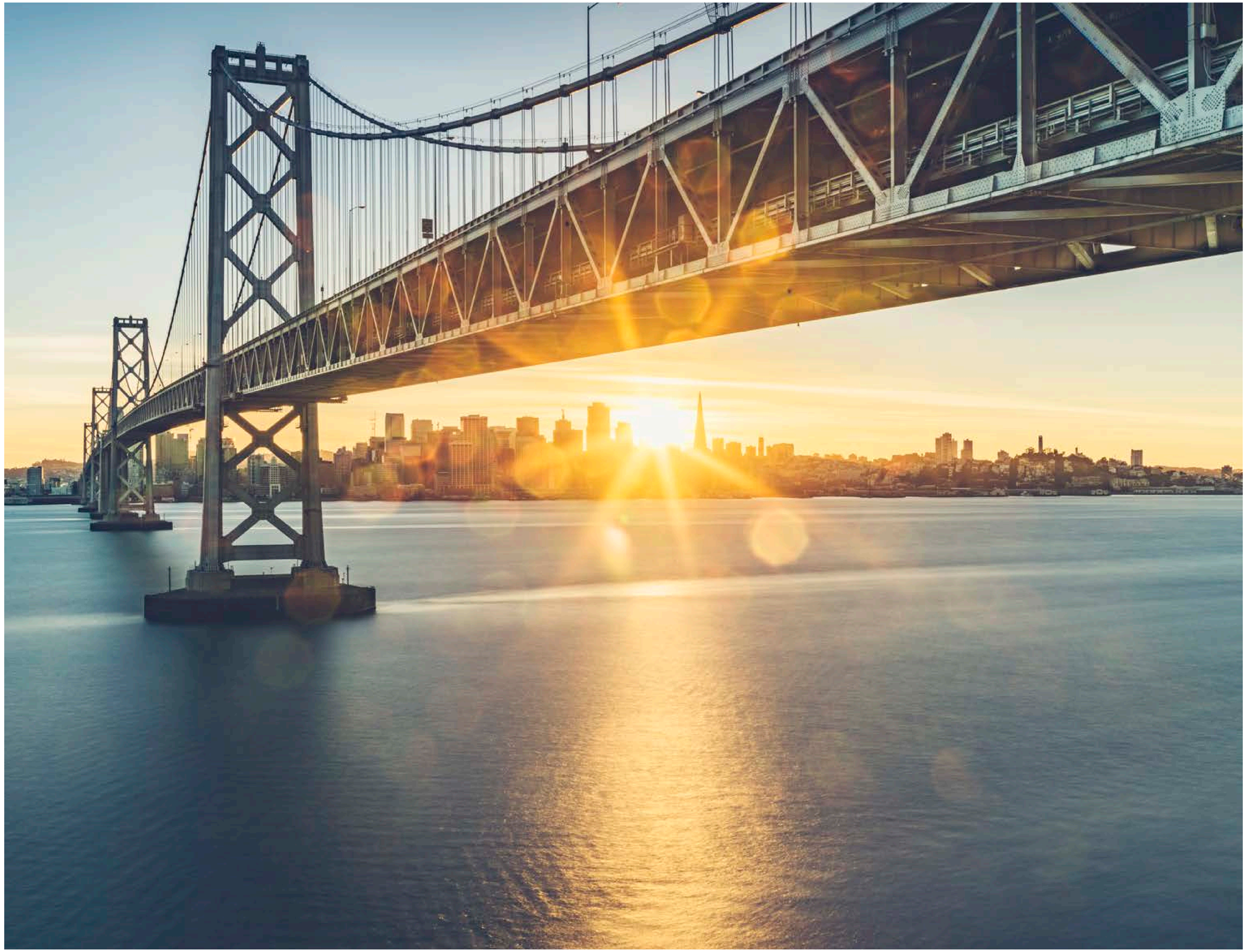
Some provocative questions to launch this discussion

- Is our business model being disrupted? If it is, how and when would we know?
- Is our culture encouraging challenges to conventional thinking and disruption of long-standing ways of working that are obstacles to aligning our business model and strategy with new market realities, improving the customer experience and re-imagining internal processes?
- Do we have access to sufficient intelligence regarding changes in competitors, customers, suppliers, new and emerging technologies, regulatory requirements, and other relevant external forces? Have we thought about how competitors or unexpected market developments could bring down our company?
- How are new and emerging technologies affecting our industry? Are we monitoring what our competitors are doing? Are we exposed to the risk of new market entrants, especially those that are "born digital"?
- Is the executive team aligned in formulating and executing the transformation roadmap? Is the CEO satisfied the executive team members and their direct reports are sufficiently agile and adaptive to pivot in the face of unexpected market disruption?
- Is the company recognising market opportunities and emerging risks early enough and addressing them with timely adjustments to its strategy and infrastructure?
- Are we staying in touch with our customers and the customer experience? Are our insights data-driven?

In closing

Corporate boards and C-suites are not designed, intended or expected to see eye-to-eye on every matter. But when these differing perspectives are not probed and understood in a constructive, trust-based and transparent manner, opportunities for improving board and C-suite performance can be missed. Moreover, the effectiveness of board oversight can be impeded by an obstructive dissonance. However, when differences in perceptions about the board and its work are discussed openly within the context of shared goals, mutual understanding and respectfully candid interactions, a creative tension emerges — and this dynamic of trust and transparency leads to greater clarity regarding the board's priorities and performance.

We hope that this survey contributes to ongoing self-assessment and continuous improvement.



Methodology and demographics

Protiviti, Broadridge and BoardProspects conducted the Global Board Governance Survey in the fourth quarter of 2023. The study was designed to gain the perspectives of board members, CEOs and other C-level executives, identifying opportunities for improving boardroom performance by analysing key differences in viewpoints between board members and the C-suite regarding the board's effectiveness. We polled more than 1,000 (n=1,006) board members and C-suite executives, who also were asked to provide demographic information about the nature, size and location of their businesses, their titles or positions, and in the case of directors, information about their roles on the board. For a number of questions, the responses of directors who serve on multiple boards reflect the largest company for which the director serves on the board. We are very appreciative of and grateful for the time invested in our study by these individuals.

POSITION

Chief Executive Officer (or equivalent position)	35%
Board Member (or equivalent position)	13%
Chief Financial Officer (or equivalent position)	10%
Chief Operating Officer (or equivalent position)	9%
Chief Human Resources Officer (or equivalent position)	5%
Chief Information Officer (or equivalent position)	4%
Chief Legal Officer or General Counsel (or equivalent position)	4%
Chief Strategy Officer (or equivalent position)	3%
Chief Information Security Officer (or equivalent position)	2%
Chief Risk Officer (or equivalent position)	2%
Chief Audit Executive (or equivalent position)	2%
Chief Technology Officer (or equivalent position)	2%
Chief Compliance Officer (or equivalent position)	1%
Chief Innovation Officer (or equivalent position)	1%
Chief Digital Officer (or equivalent position)	1%
Other	6%

BOARD/EXECUTIVE POSITION

Independent Board Member	61%
C-Suite	21%
Dual role (board member and C-suite executive)	18%

NUMBER OF BOARDS ON WHICH DIRECTOR SITS*

1	24%
2	33%
3	24%
4	12%
5	4%
More than 5	3%

** Board members only*

TENURE ON BOARD*

Less than a year	10%
1-5 years	56%
6-10 years	21%
More than 10 years	13%

** Board members only*

SERVE ON BOARD COMMITTEE*

Yes	86%
No	14%

** Board members only*

BOARD COMMITTEE(S) ON WHICH DIRECTOR SERVES*

Audit & compliance committee	45%
Compensation & benefits committee	36%
Corporate governance & nominating committee	35%
Finance committee	13%
Risk committee	13%
Executive committee	13%
Strategy committee	9%
Technology committee	7%
Acquisition committee	7%
Human capital committee	7%
Investment committee	6%
Cybersecurity committee	6%
Compliance committee	6%
Sustainability, corporate responsibility or public policy committee	5%
Environment, health & safety committee	4%
Research & development committee	2%
Other	6%
None of the above	4%

** Board members only*

BOARD COMMITTEE(S) ON WHICH DIRECTOR SERVES AS THE CHAIR*

Audit & compliance committee	22%
Compensation & benefits committee	14%
Corporate governance & nominating committee	13%
Executive committee	6%
Finance committee	5%
Strategy committee	5%
Acquisition committee	4%
Cybersecurity committee	3%
Risk committee	3%
Technology committee	3%
Investment committee	2%
Human capital committee	2%
Sustainability, corporate responsibility or public policy committee	1%
Compliance committee	1%
Environment, health & safety committee	1%
Other	3%
None of the above	35%

** Board members only*

INDUSTRY

Technology (Software/High-Tech/Electronics)	12%
Financial Services — Banking and Capital Markets	9%
Manufacturing (other than Technology)	5%
Financial Services — Asset & Wealth Management	4%
Healthcare Provider/Services	4%
Not-for-Profit	4%
Consumer Packaged Goods	4%
Professional Services	4%
Pharmaceuticals and Life Sciences	4%
Biotechnology/Medical Devices	4%
Retail	3%
Insurance (other than Healthcare Payer)	3%
Real Estate	3%
Construction	3%
Financial Services — Other	2%
Power and Utilities	2%
Higher Education	2%
Transportation and Logistics	2%
Media and Entertainment	2%
Chemicals and Materials	2%
Hospitality, Leisure and Travel	2%
Financial Services — Payments	1%
Financial Services — Private Equity	1%
Financial Services — Mortgage & Consumer Lending	1%
Oil and Gas	1%
Automotive	1%
Telecommunications and Data Infrastructure	1%
Healthcare — Integrated Delivery Systems (Provider & Payer)	1%
Agriculture, Forestry and Fishing	1%
Healthcare Payer/Insurance	1%
Warehousing/Distribution	1%
Construction Aggregates and Building Materials	1%
Renewables	1%
Government Agency (National, State or Local)	1%
Mining	1%
Airlines	0%
Equipment Rental	0%
Other	6%

SIZE OF ORGANISATION (OTHER THAN FINANCIAL SERVICES) — BY GROSS ANNUAL REVENUE IN U.S. DOLLARS

$10 billion or more	11%
$5 billion - $9.99 billion	8%
$1 billion - $4.99 billion	18%
$500 million - $999.99 million	11%
$100 million - $499.99 million	19%
Less than $100 million	33%

SIZE OF ORGANISATION (FINANCIAL SERVICES ORGANISATIONS) — BY ANNUAL ASSETS UNDER MANAGEMENT IN U.S. DOLLARS

$50 billion or more	21%
$25 billion - $49.99 billion	9%
$10 billion - $24.99 billion	11%
$5 billion - $9.99 billion	9%
$1 billion - $4.99 billion	24%
$250 million - $999.99 million	12%
Less than $250 million	14%

ORGANISATION HEADQUARTERS

United States of America (USA)	83%
Canada	4%
United Kingdom (UK)	2%
Singapore	1%
India	1%
Japan	1%
Switzerland	1%
Australia	1%
Germany	1%
Ireland	1%
Brazil	1%
France	1%
Luxembourg	1%
The Netherlands	1%

ORGANISATION TYPE

Publicly listed company	47%
Private company with no IPO aspirations	17%
Not-for-profit	12%
Private company with IPO aspirations	11%
Private equity-owned	8%
Other	5%

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, digital, legal, HR, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2023 *Fortune* 100 Best Companies to Work For® list, Protiviti has served more than 80 percent of Fortune 100 and nearly 80 percent of Fortune 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

About BoardProspects

BoardProspects.com is an innovative software platform designed to help corporations cost-effectively identify, assess and recruit world class board members from its community of thousands of highly credentialed board candidates. The BoardProspects platform leverages technology to improve the board recruitment process for publicly traded and private corporations by providing the tools and features necessary to create and maintain a diverse and talented board succession pipeline.

About Broadridge

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with over $6 billion in revenues, provides the critical infrastructure that powers investing, corporate governance and communications to enable better financial lives. We deliver technology-driven solutions to banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. In addition, Broadridge's technology and operations platforms underpin the daily trading of on average more than U.S. $10 trillion of equities, fixed income and other securities globally. A certified Great Place to Work®, Broadridge is a part of the S&P 500® Index, employing over 14,000 associates in 21 countries. For more information about Broadridge, please visit www.broadridge.com.

www.protiviti.com

www.boardprospects.com

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