

PROGRAM: Striking the Right Balance in the Boardroom

DATE: November 16, 2017

DISCUSSION SUMMARY AND KEY TAKEAWAYS:

PwC shared highlights from their 2017 Annual Corporate Directors Survey noting the following key points:

- The top 3 desired attributes for Directors continues to be financial, risk and industry experience, consistent with prior years. Cybersecurity and IT/Digital expertise are also high on the list of desired skills and there is a desire for diversity. Less than one-fifth of directors are satisfied with the current level of expertise on their boards.
- Clearly the most effective method for driving board refreshment, by far, is a strong focus from the board chair or lead director.
- 46% of directors think someone on their board should be replaced, while only 15% said that a member of their board was provided counsel or was not re-nominated as a result of the assessment process.

This data provided a platform for an interesting and thought-provoking discussion with our experienced board members and representative from the institutional shareholder community. Highlights of the key points made include:

- There was agreement amongst the panelists that board refreshment is important to maintaining a highly effective board and that two key factors in successful board refreshment are a strong focus from the board chair/lead director and a robust action-oriented board evaluation process.
- The panel recommended a 360-degree review for directors and taking action on non-performing directors was considered more important than age or term limits in driving board refreshment.
- Existing board members should be evaluated on the value they can add over the coming years.
- The board evaluation should be a strong quantitative process to avoid it becoming personal.
- Board refreshment can be more difficult in the non-profit setting, but no less important. Some non-profits have begun to separate governance boards from fund raising boards to get the right people focused on the right things.
- The panel highlighted that every slate for a board opening should be diverse.
- The investor community wants to see the competency attributes of directors disclosed and assurances that there is a sound process for selection of new directors. Through the proxy statement and engagement dialogue, investors want to understand key committee changes, cadence of the board meetings and how the board composition is changing to response to the business strategy.
- The board's role in establishing the culture of the company and assessing the tone at the top is key. When joining a board or adding board members to your board, directors should assess the integrity of their co-directors. Investors are starting to ask questions about culture, and tend to assess qualitatively by looking at the leadership.