

## Board Practices Quarterly

### Board oversight of culture

Corporate culture is a critical area of board oversight. Closely tethered to corporate strategy and risk, culture failures can upend a company. On the flip side, the benefits associated with a positive culture are mission critical and can include business and financial resilience, reputation and goodwill, reduced employee misconduct, and higher employee engagement and productivity. Many employees, investors, regulators, and other stakeholders are increasingly focused on workplace culture in their respective employment, stewardship, enforcement, and engagement decision-making practices. Accordingly, boards of directors should consider whether the practices and processes in place allow them to

effectively monitor, influence, reinforce, and participate in shaping company culture.

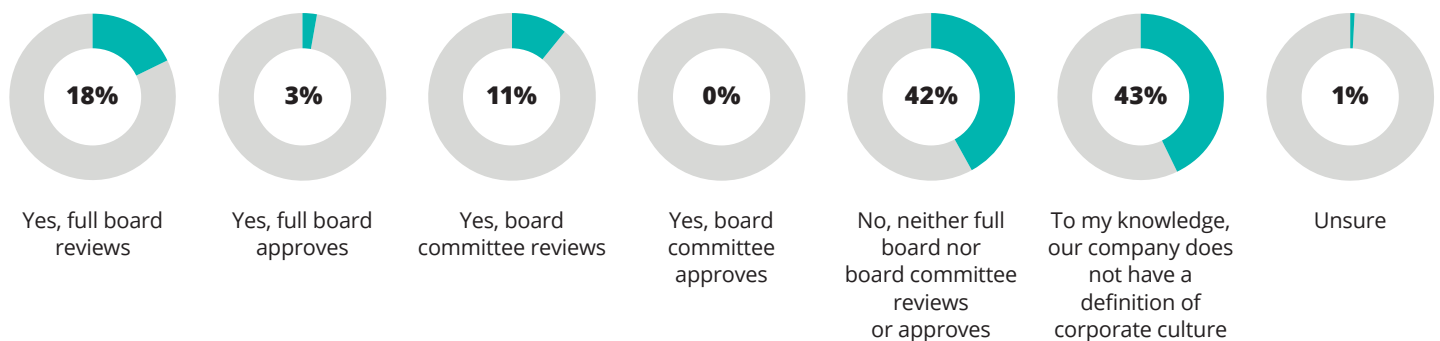
This *Board Practices Quarterly* looks at how boards oversee corporate culture. It presents findings from a survey of members of the Society for Corporate Governance that included questions pertaining to the board's role in approving the company definition for culture; where primary oversight of culture resides; information being reported to the board—and how often and by whom; and shareholder engagement.

# Findings

Respondents, primarily corporate secretaries, in-house counsel, and other in-house governance professionals, represent 77 public companies of varying sizes and industries,<sup>1</sup> and the findings pertain to these companies. The actual number of responses for each question is provided. Some survey results may not sum to 100% as questions may have allowed respondents to select multiple answers. Where applicable, commentary has been included to highlight differences among respondent demographics and to highlight comparisons to findings in the [2018 Board Practices Report](#).

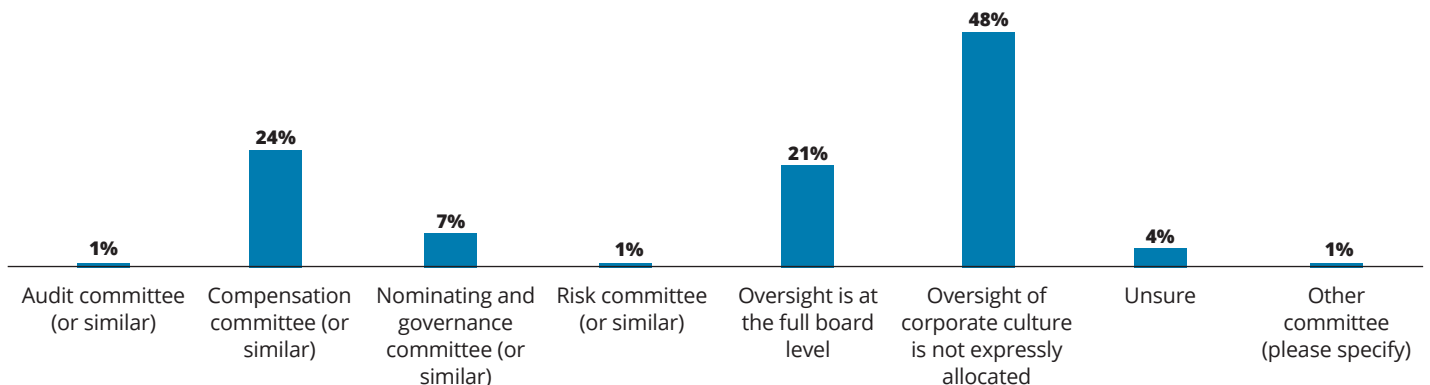
[Access](#) results by company size and type.

## Does your full board or a board committee review or approve your company's definition of corporate culture? [Select all that apply] (74 responses)



## Where does primary oversight of corporate culture as a stand-alone item lie within your company's board? [Select all that apply] (67 responses)

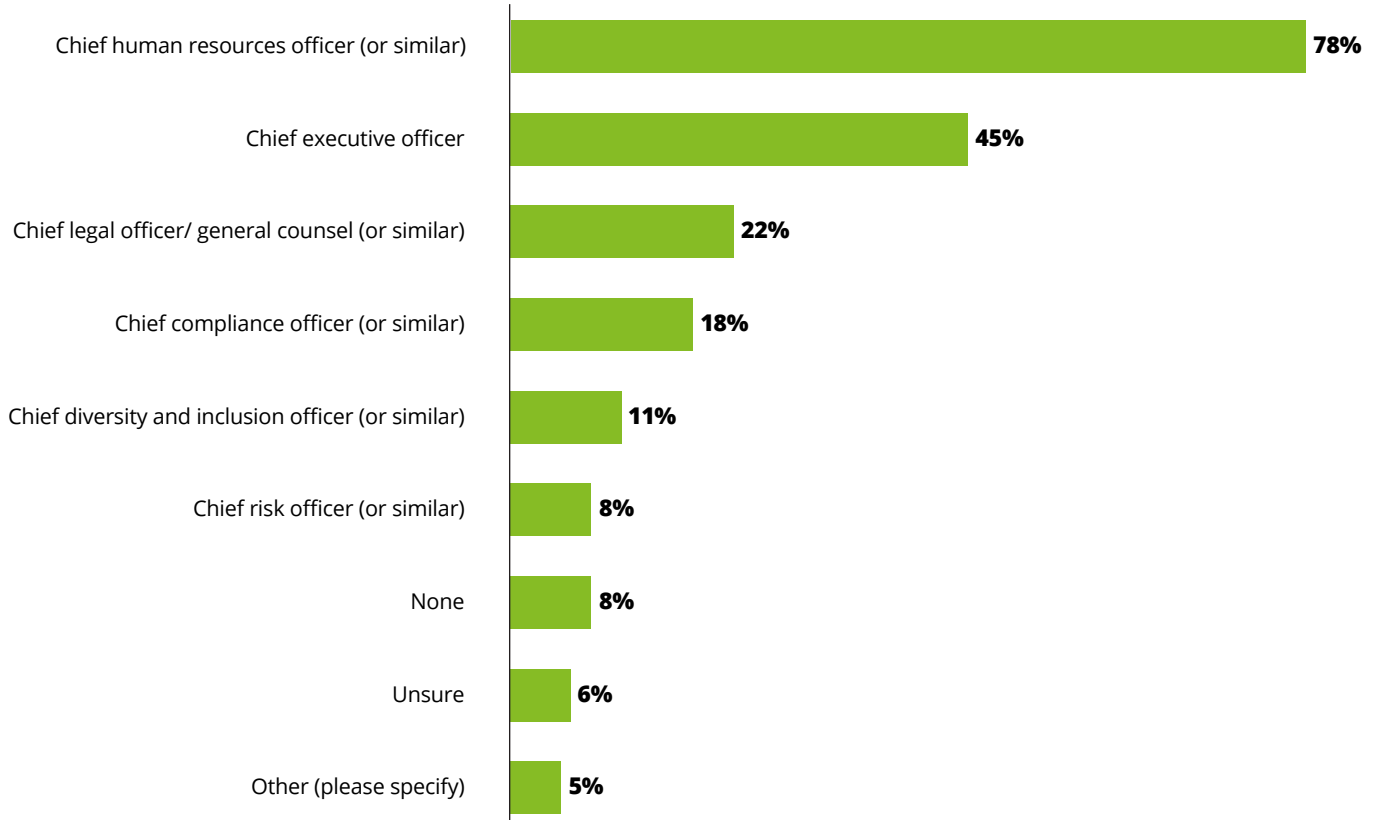
In response to a similar question in the [2018 Board Practices Report](#) regarding the allocation of corporate culture risk, 75% reported it lies with the full board, followed by 20% that reported the compensation committee, and 18% that reported corporate culture risk is not specifically allocated.



Note: One respondent commented that the Sustainability committee has primary oversight.

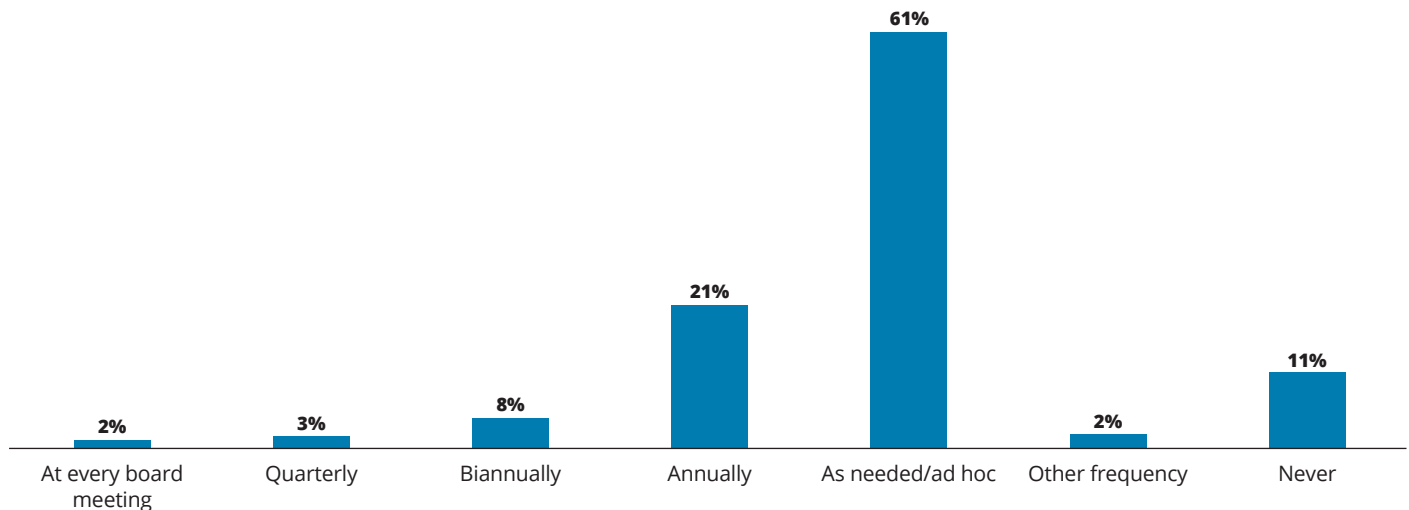
**Which member(s) of management is/are responsible for culture risk in your company? [Select all that apply]**  
(65 responses)

Results from a similar question in the *2018 Board Practices Report* reported the CHRO and CLO/General Counsel as being the most common members of management responsible for culture risk, at 75% and 23%, respectively. CEO was not among the pre-populated answer choices in the 2018 survey.



Note: Other (please specify) responses included the chief administrative officer, president, and chief sustainability officer.

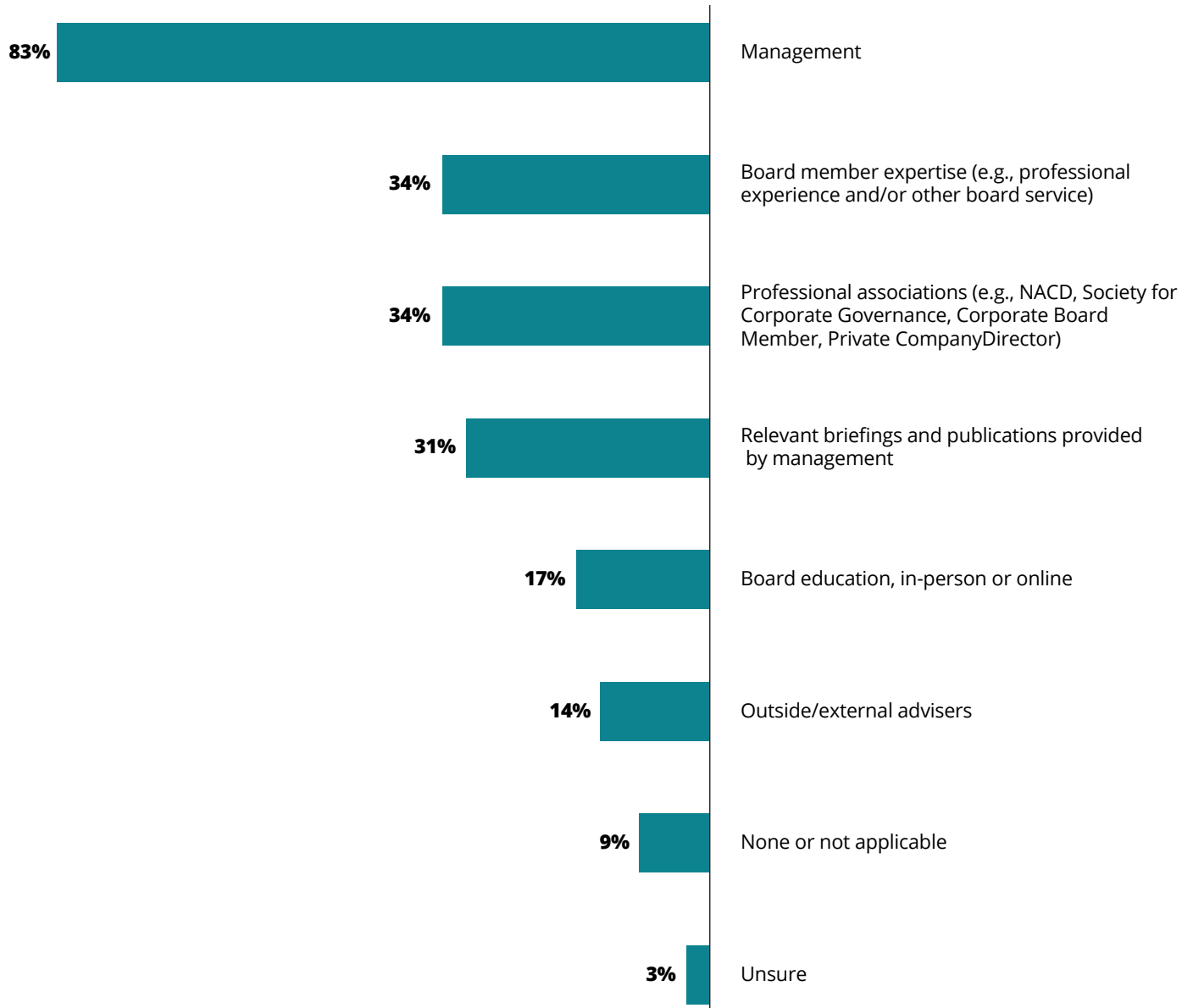
**Describe the frequency of corporate culture topics on full board meeting agendas (vs. at the committee level). [Select all that apply]** (61 responses)



### What resource(s) does the board/responsible committee use to stay current on corporate culture topics generally? [Select all that apply] (58 responses)

The greatest differences between market caps pertained to:

- Board education (in-person or online) – 8% large-caps; 20% mid-caps
- Relevant briefings and publications provided by management – 38% large-caps; 27% mid-caps



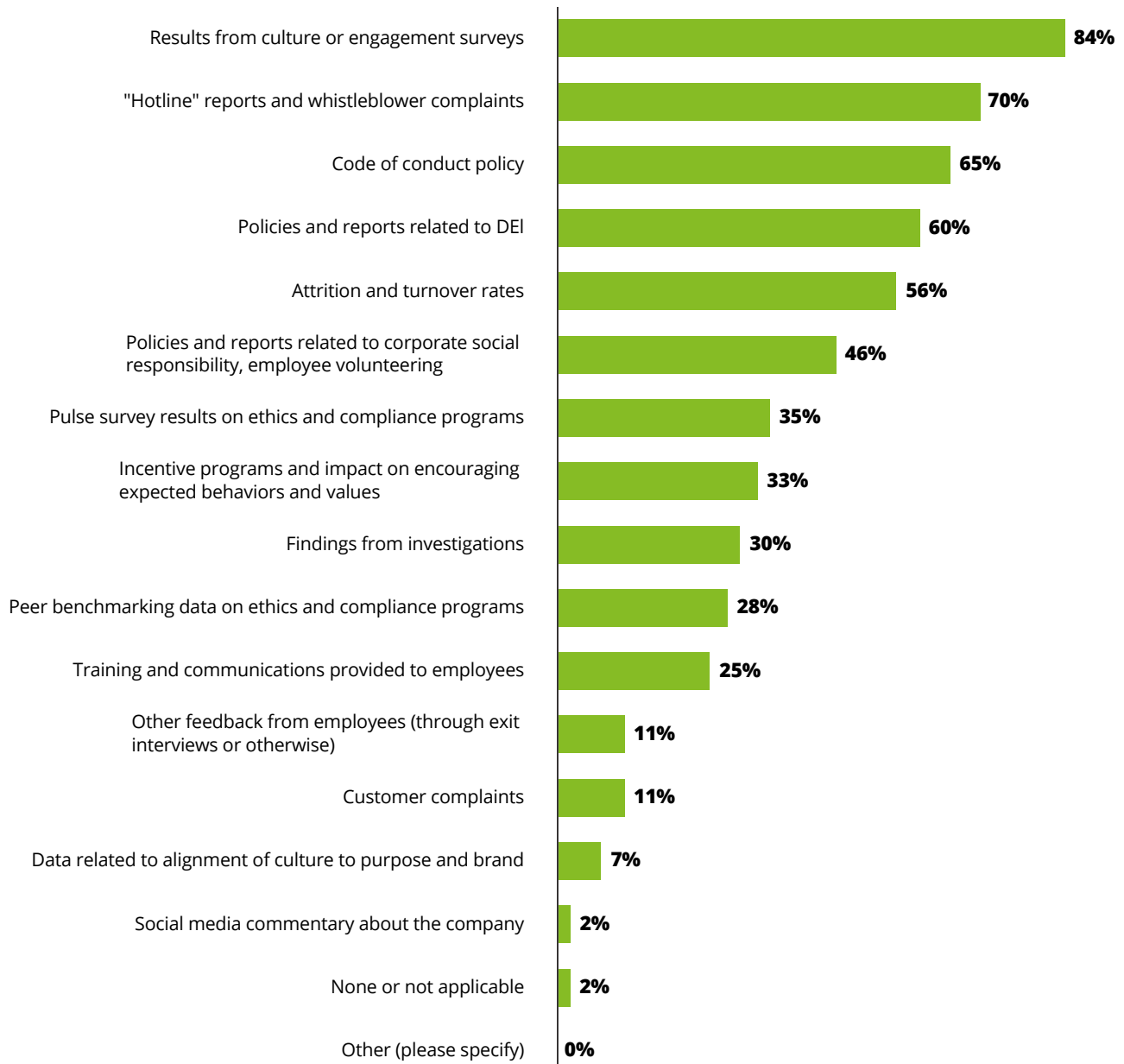
Note: No respondent answered "Advisory Council" or "Other (please specify)".

## What information does your board/responsible committee receive to monitor and evaluate company culture and behavior? [Select all that apply] (57 responses)

The greatest differences between market caps pertained to:

- Attrition and turnover rates – 70% large-caps; 43% mid-caps
- Incentive programs and impact on encouraging expected behaviors and values – 17% large-caps; 40% mid-caps
- Pulse survey results on ethics and compliance programs – 52% large-caps; 27% mid-caps
- Peer benchmarking data on ethics and compliance programs – 43% large-caps; 13% mid-caps
- Training and communications provided to employees – 35% large-caps; 10% mid-caps
- Policies and reports related to DEI – 70% large-caps; 53% mid-caps

Results from a similar question in the 2018 Board Practices Report revealed the most common information as hotline reports (78%), findings from investigations (68%), and results from culture surveys (58%).

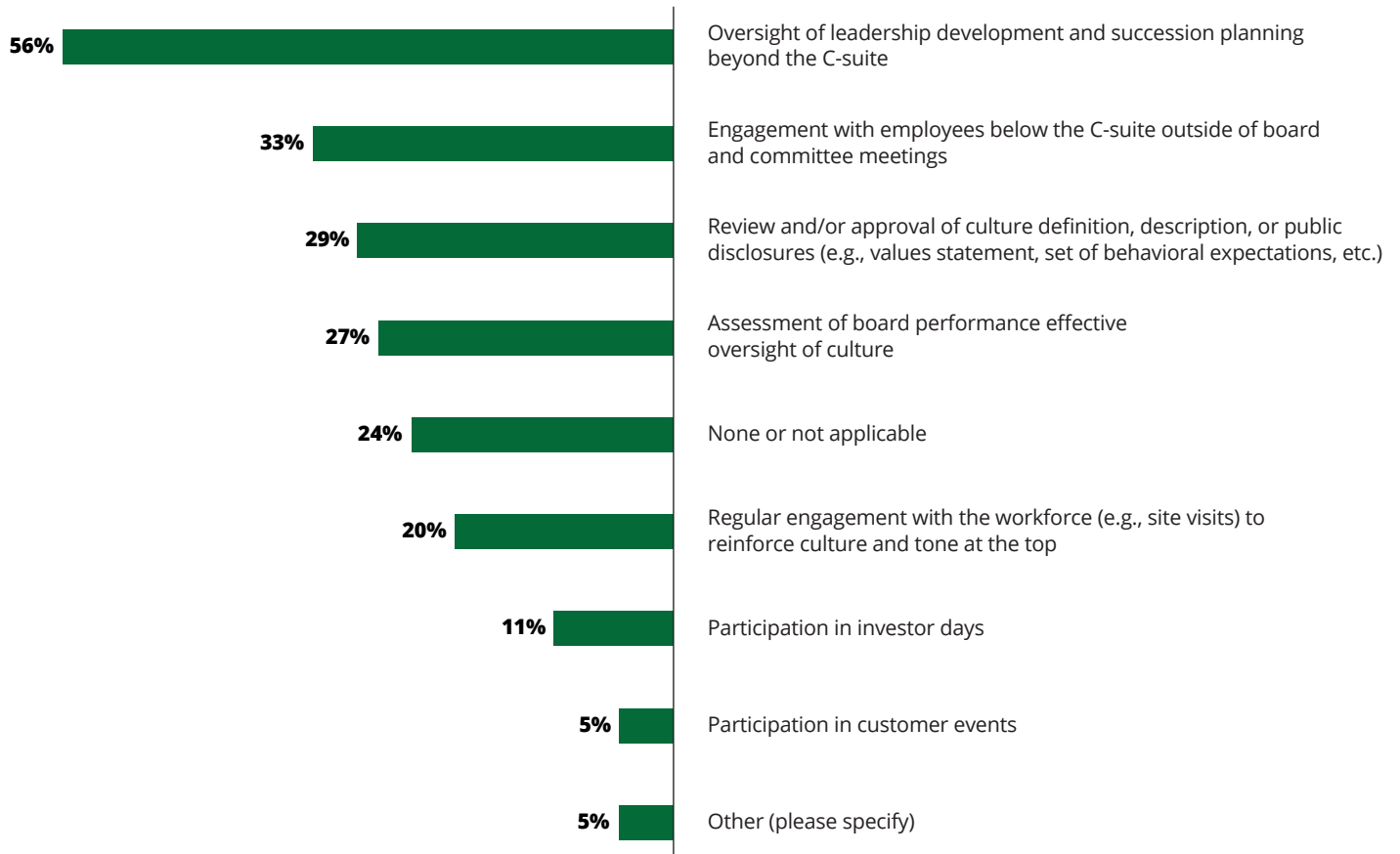


### Which of the following ways does your board/responsible committee participate in your company culture and behavior? [Select all that apply] (55 responses)

The greatest differences between market caps pertained to:

- Regular engagement with the workforce (e.g., site visits) to reinforce culture and tone at the top – 38% large-caps; 10% mid-caps
- Engagement with employees below the C-suite outside of board and committee meetings – 48% large-caps; 27% mid-caps

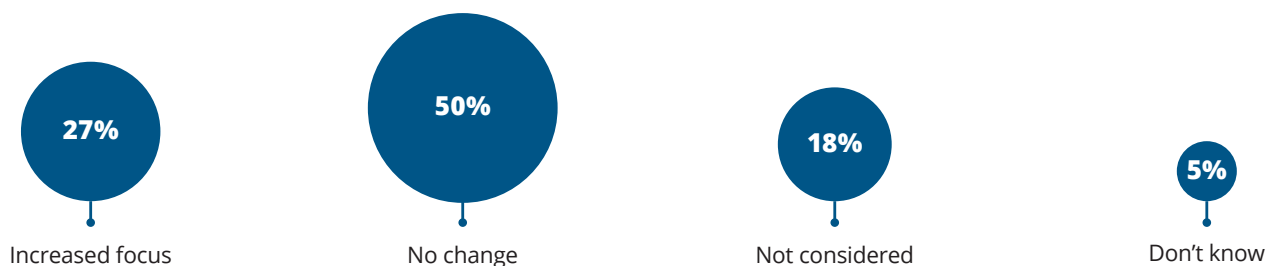
The most common responses to a similar question in the 2018 Board Practices Report were that the board engages with employees regularly to reinforce our culture and tone at the top (25%) and the board expanded oversight of leadership development beyond the C-suite (52%).



Note: Other (please specify) responses included annual visits to manufacturing locations and the board does a two day meeting at one of our international locations every year, where they meet certain members of the local teams.

### In the past 1-2 years, how has the board considered corporate culture with regard to your company's strategic priorities? (56 responses)

Results from the 2018 Board Practices Report were increased focus (42%), no change (50%), not considered (4%), and don't know (4%).

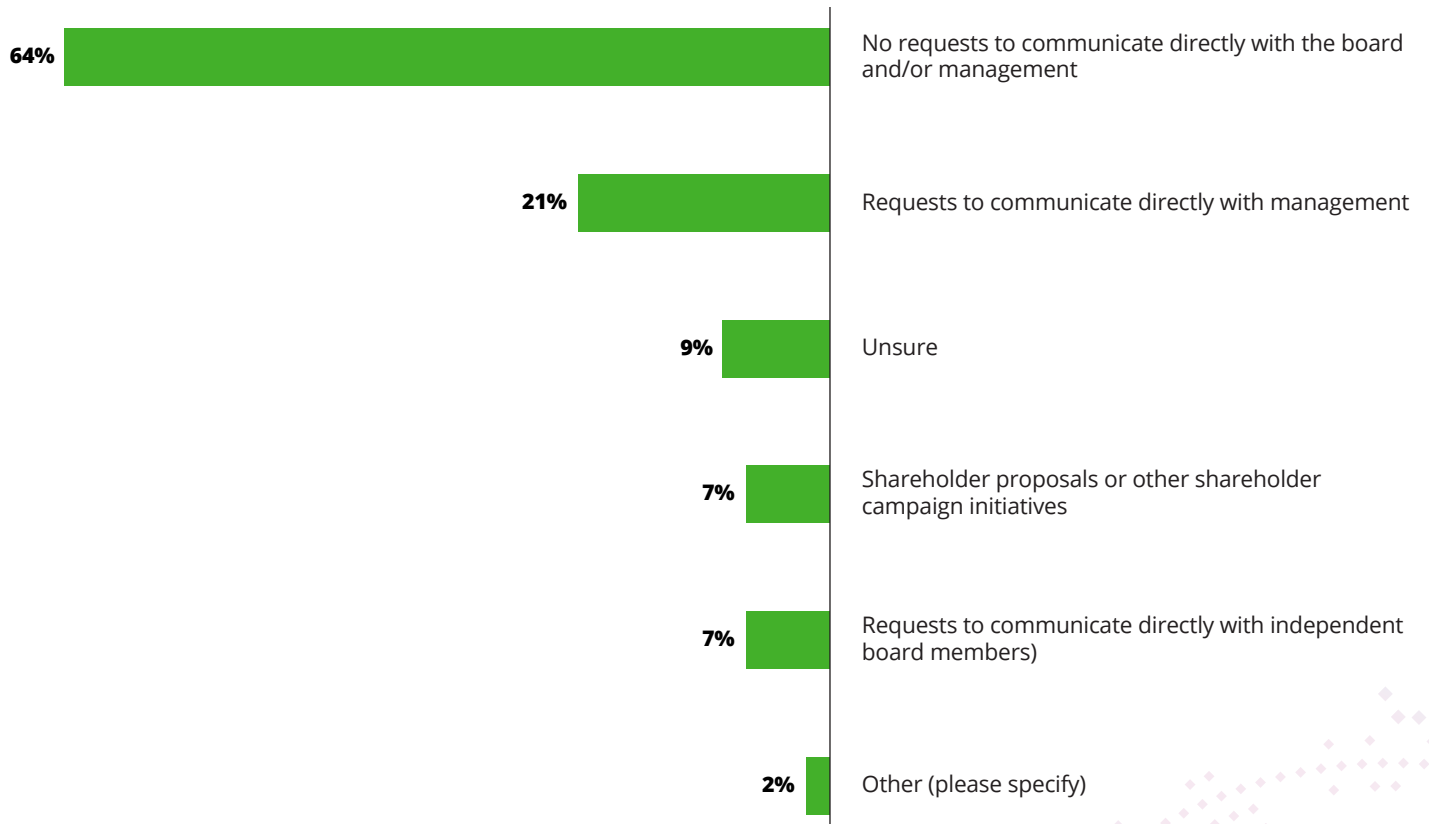


## Have any of your company's shareholders discussed or asked to discuss corporate culture-related matters with management and/or the board during the past year? [Select all that apply] (56 responses)

The greatest differences between market caps for those not responding "Unsure" pertained to:

- Requests to communicate directly with management – 36% large-caps; 13% mid-caps
- No requests to communicate directly with the board and/or management – 55% large-caps; 67 mid-caps

In 2018, 21% reported "workforce/human capital and culture" as a topic shareholders discussed or asked to discuss with management and/or the board.



### Endnote

1. Public company respondent market capitalization as of December 2023: 44% large-cap (which includes mega- and large-cap) (> \$10 billion); 51% mid-cap (\$2 billion to \$10 billion); and 5% small-cap (which includes small-, micro-, and nano-cap) (< \$2 billion). Respondent industry breakdown: 31% energy, resources, and industrials; 27% financial services; 19% consumer; 18% technology, media, and telecommunications; and 4% life sciences and health care.

Small-cap and private company findings have been omitted from this report and the accompanying demographics report due to limited respondent population.

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