



Board Practices Quarterly

Back to basics: Board education and evaluations

To provide effective oversight, it's critical that boards keep themselves apprised of the rapidly evolving governance landscape and regularly evaluate their performance. With respect to board education, there is no single approach that works for every board; rather, education format, content, and delivery should be tailored to the needs of the directors, the company's business, and other relevant factors. Similarly, board evaluations—including the scope, methodology, and content—should be tailored to the company's facts and circumstances.

This *Board Practices Quarterly* looks at how boards approach education for the full board and committees and board evaluation practices. It presents findings from a July 2022 survey of members of the Society for Corporate Governance that addressed, among other matters, board and committee education topics and board assessment facilitation processes and related disclosure.

Findings

Respondents, primarily corporate secretaries, in-house counsel, and other in-house governance professionals, represent 154 public companies of varying sizes and industries.¹ The findings pertain to these companies and, where applicable, commentary has been included to highlight differences among respondent demographics. The actual number of responses for each question is provided.

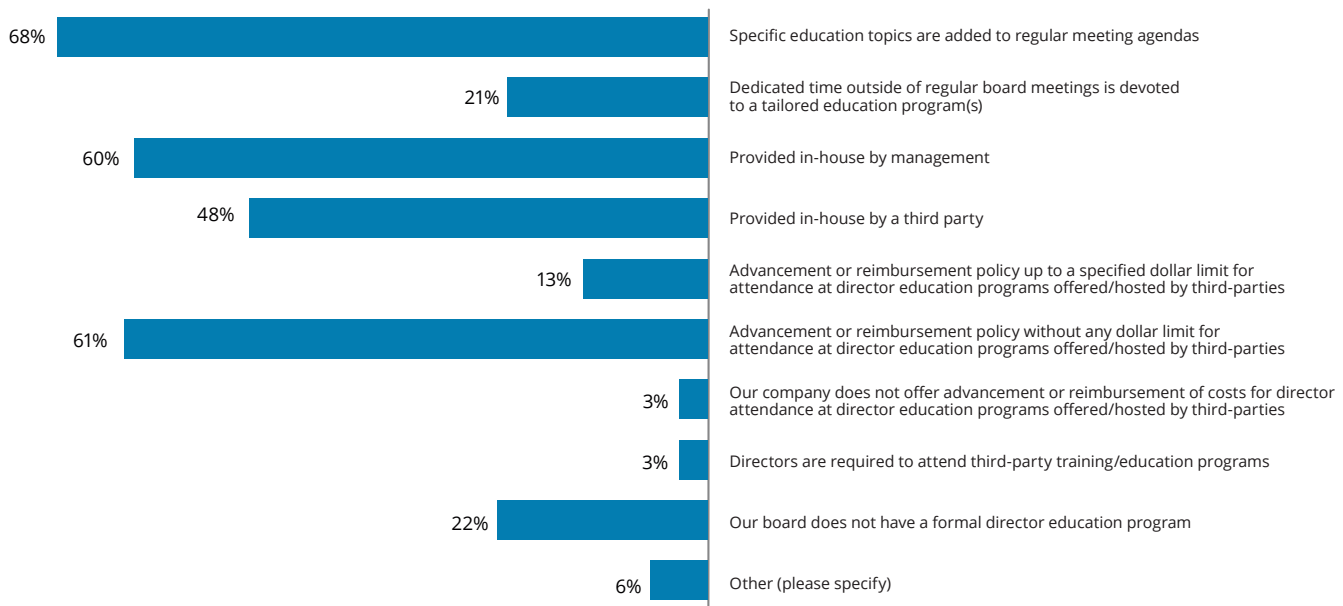
[Access](#) results by company size and type.

Which of the following best describes your board’s ongoing director education program? [Select all that apply] (148 responses)

- 27% of mid-caps report dedicating time outside of regular board meetings for education compared to 15% of large-caps.
- 55% of mid-caps report education is provided in-house by a third party compared to 42% of large-caps.
- 18% of mid-caps and 6% of large-caps report an advancement or reimbursement policy that specifies a dollar limit for director attendance at third-party director education programs.

Respondent comments show varied director education practices, including:

- Our board is encouraged to participate in external trainings each year, and we track and report on their participation annually through our nominating committee.
- Directors are encouraged to attend at least one third-party educational program each year.
- Directors are encouraged, but not required, to participate in meetings or seminars for directors, and the company will reimburse directors for the cost of attending one such seminar each year.
- Board members who serve on more than one public company board are encouraged to apportion their continuing board education expenses fairly among their boards.



¹ Public company respondent market capitalization as of December 2021: 48% large-cap (which includes mega- and large-cap) (> \$10 billion); 59% mid-cap (\$2 billion to \$10 billion); and 3% small-cap (which includes small-, micro-, and nano-cap) (< \$2 billion). Respondent industry breakdown: 32% energy, resources, and industrials; 30% financial services; 19% consumer; 10% life sciences and health care; and 9% technology, media, and telecommunications.

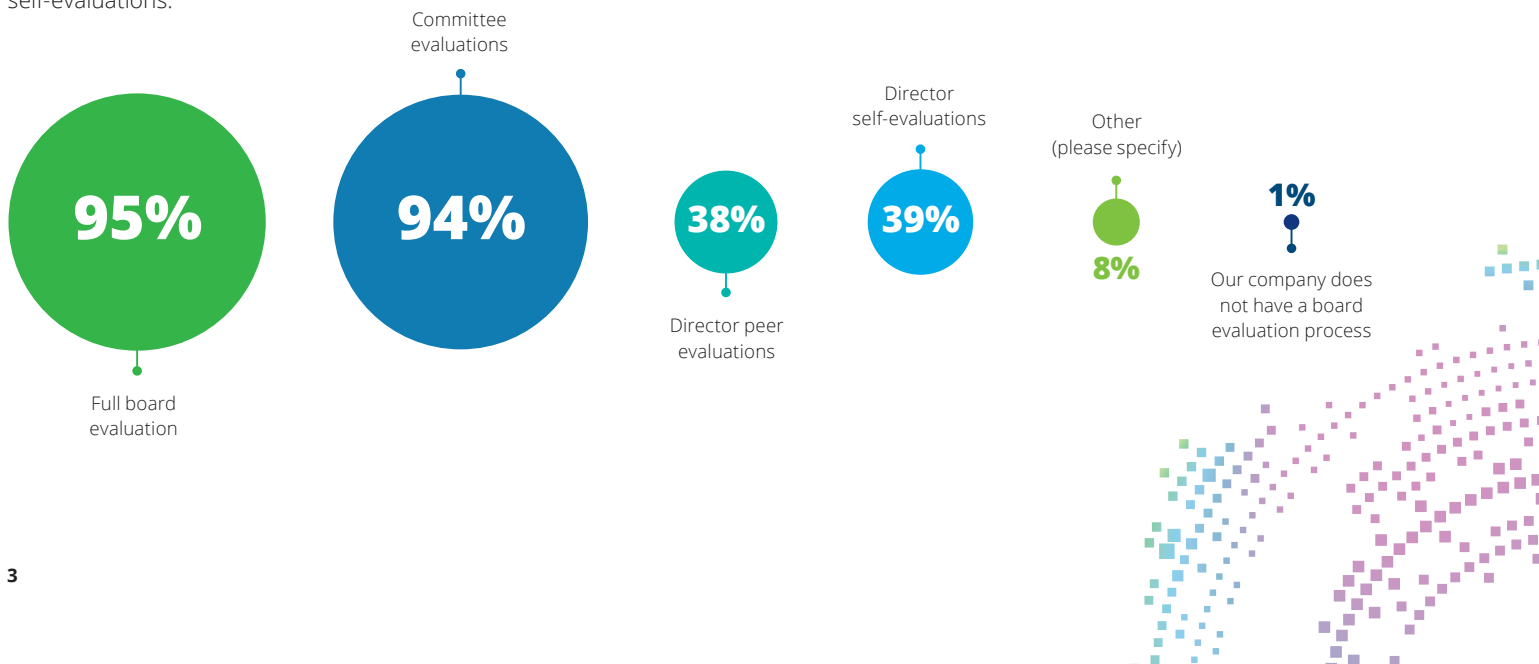
Small-cap and private company findings have been omitted from this report and the accompanying demographics report due to limited respondent population. Throughout this report, percentages may not total 100 due to rounding and/or a question that allowed respondents to select multiple choices.

Education for board and standing committee members, whether for continuing education purposes or to learn about new and/or emerging topics, is provided on these topics. [Select all that apply] (109 responses)

	Full board	Audit committee (or similar)	Compensation committee (or similar)	Nominating and Governance committee (or similar)
Anti-corruption	78%	31%	0%	0%
Capital allocation	86%	33%	2%	0%
Company-specific policies and/or issues	94%	37%	32%	34%
Corporate culture	77%	5%	32%	12%
Corporate social responsibility	74%	10%	10%	56%
Crisis management	86%	25%	2%	6%
Cybersecurity and cyber risk	75%	61%	0%	2%
Data privacy	58%	56%	0%	4%
DEI (Diversity, Equity, and Inclusion)—workforce related	60%	7%	56%	23%
DEI (Diversity, Equity, and Inclusion)—non-workforce related (e.g., vendors and suppliers, board of directors)	64%	8%	24%	48%
Environmental and climate	66%	16%	1%	48%
Ethics and compliance	75%	48%	4%	18%
Fiduciary duties and board oversight responsibilities	96%	13%	7%	20%
Financial and liquidity risk	72%	65%	2%	2%
Geopolitical risks	85%	28%	3%	5%
Industry-specific trends and issues	99%	13%	10%	9%
Insider trading	84%	16%	5%	18%
Legal and regulatory	90%	43%	12%	21%
Market risk	89%	29%	3%	0%
New accounting pronouncements and/or auditing requirements	16%	97%	0%	0%
Political contributions	36%	13%	0%	69%
Risk oversight	75%	62%	12%	14%
Shareholder engagement/shareholder proposals/activism	65%	1%	14%	61%
Technology (e.g., AI, disruptive technologies, digital transformation, cryptocurrency, work from home)	88%	34%	7%	5%

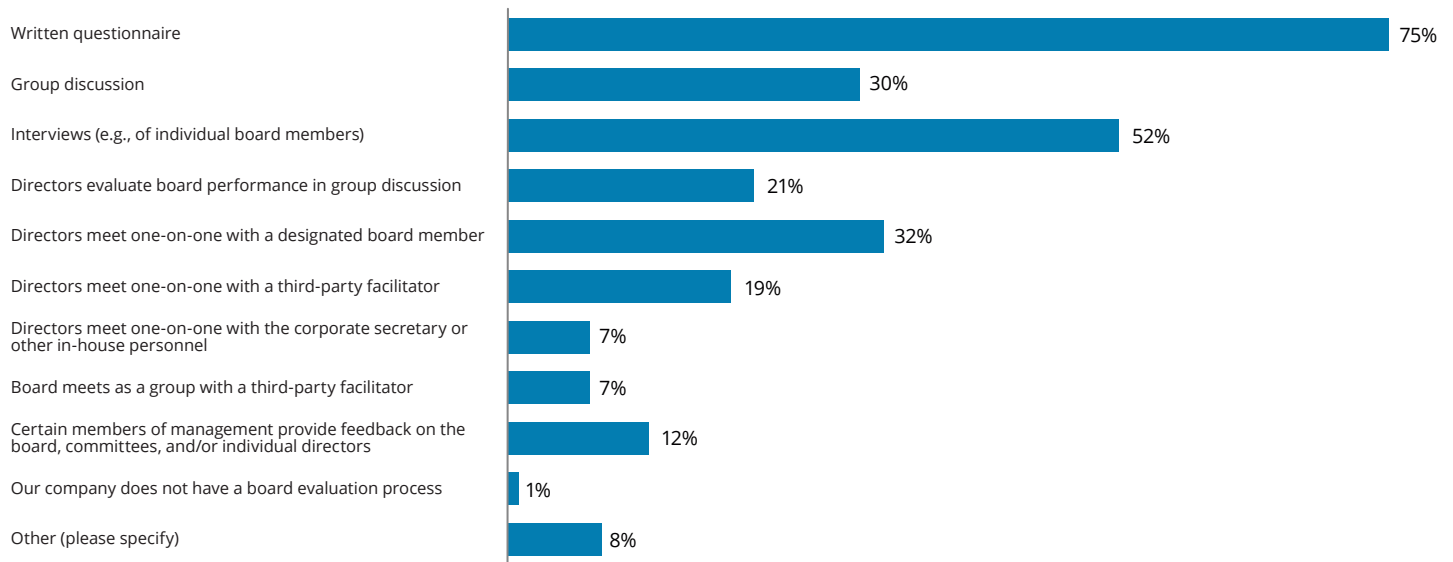
What types of evaluations are used to assess board performance? [Select all that apply] (120 responses)

About 40% of large-caps and 35% of mid-caps indicate that their board performance evaluation includes director peer and/or self-evaluations.



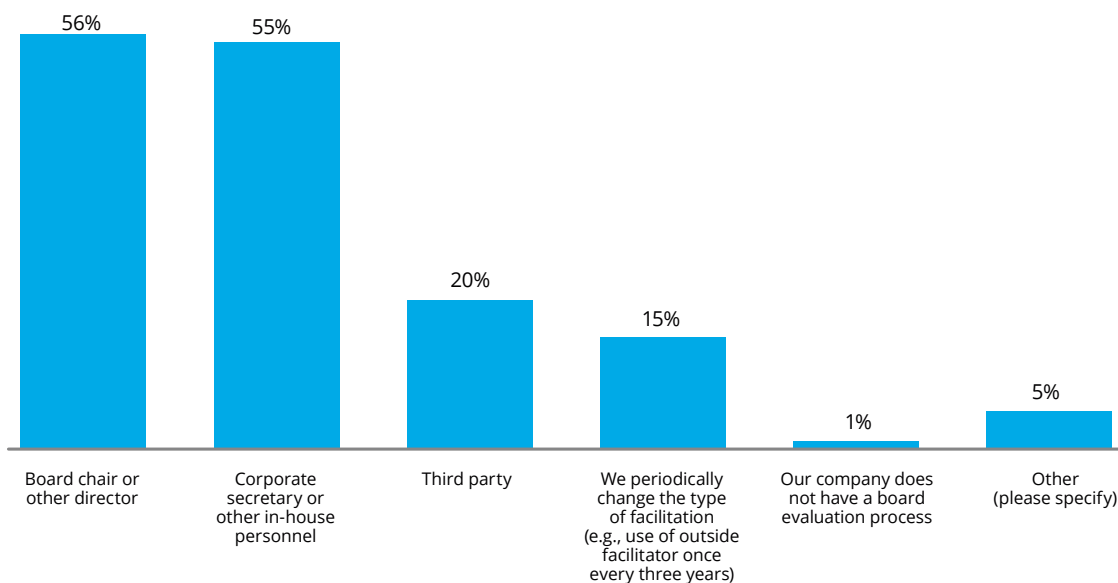
What format is used to conduct the full board evaluation? [Select all that apply] (118 responses)

- 69% of large-caps report utilizing interviews as part of the board evaluation process compared to 37% of mid-caps.
- 41% of large-caps and 23% of mid-caps report that their directors meet one-on-one with a designated board member. Similarly, more large-caps report that their directors meet one-on-one with a third-party facilitator than mid-caps, at 26% and 13%, respectively.



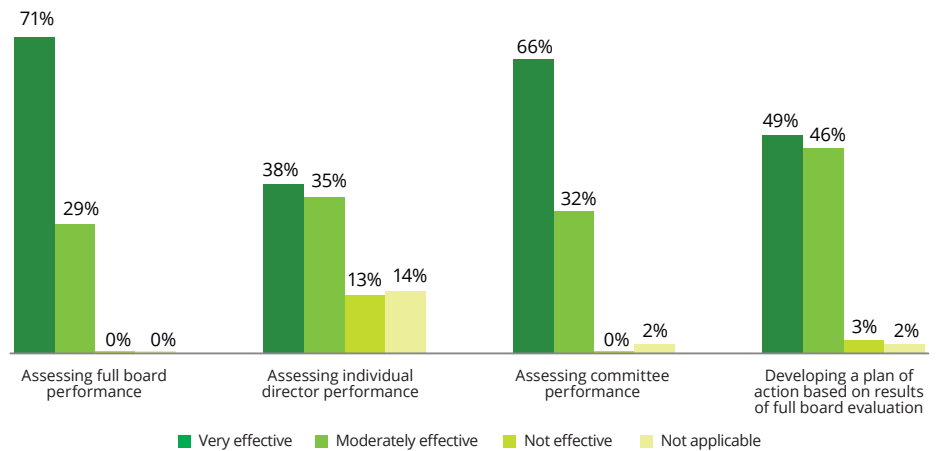
Who facilitates your full board evaluations? [Select all that apply] (119 responses)

- 65% of large-caps report that the board chair or other director is the facilitator, compared to 45% of mid-caps.
- 47% of large-caps report that the corporate secretary or other in-house counsel is the facilitator, compared to 65% of mid-caps.
- 22% of large-caps and 10% of mid-caps indicate that they periodically change the type of facilitation, for example, use of a third-party facilitator. In addition, several respondents specified in their comments that a third party is periodically used to facilitate the evaluation (e.g., every other year or every three years).

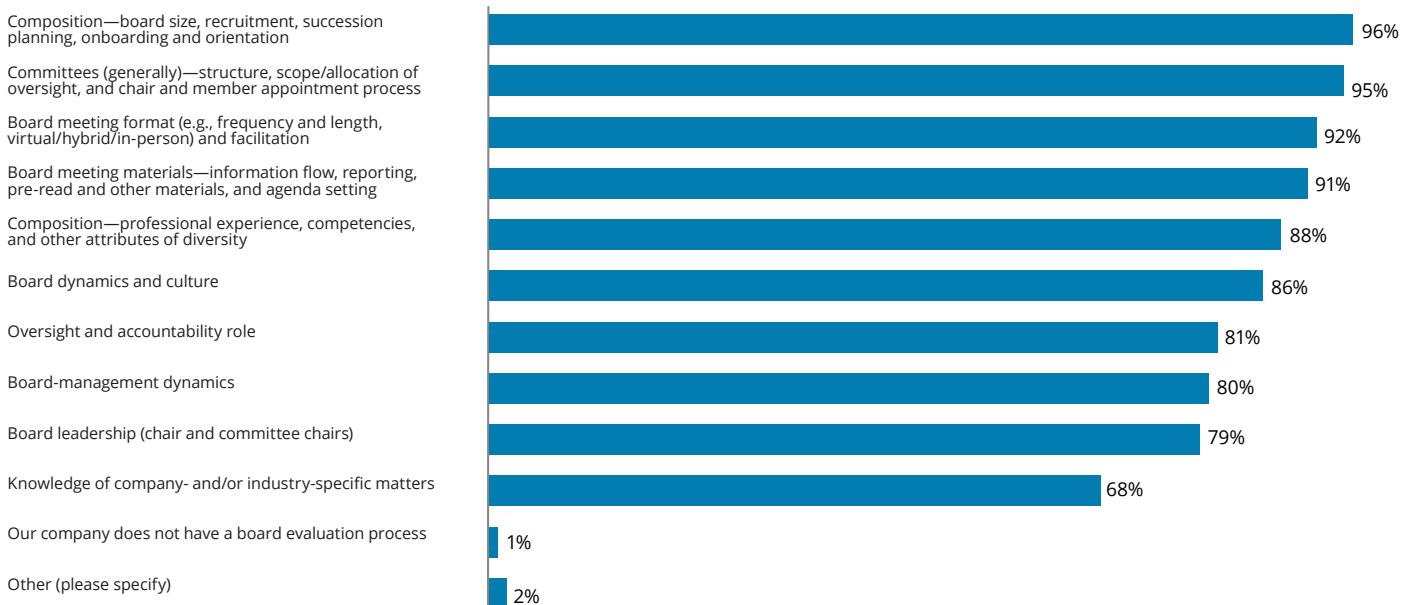


Rate your board’s overall effectiveness in the following evaluation practices. (112 responses)

76% of large-caps and 69% of mid-caps rated their boards as very effective overall in assessing full board and committee performance.

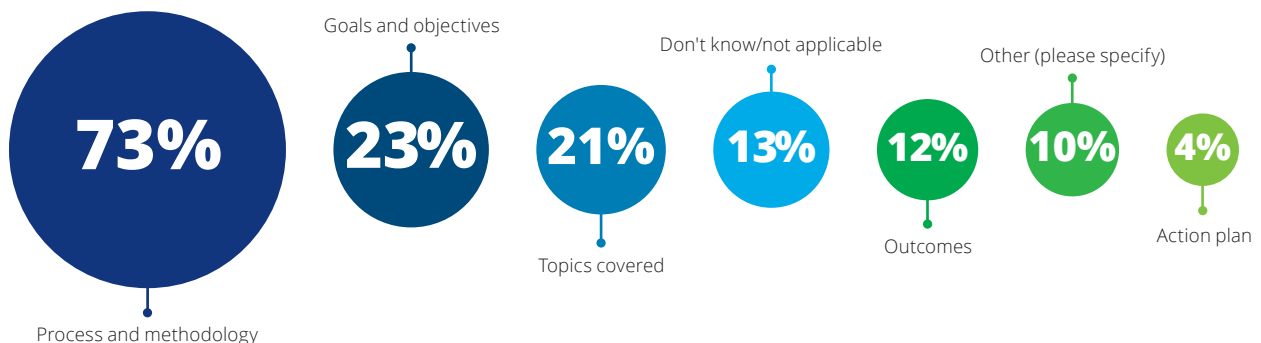


Indicate which of the following topical areas (or similar) are regularly covered in your company’s periodic board evaluation. [Select all that apply] (111 responses)



What is publicly disclosed about your company’s board evaluation process? [Select all that apply] (112 responses)

- 78% of large-caps and 71% of mid-caps report publicly disclosing their board evaluation process and methodology.
- Board evaluation “topics” and “outcomes” are more often disclosed by large-caps than mid-caps. According to survey respondents:
 - 40% of large-caps compared to 7% of mid-caps disclose topics covered in the board evaluation.
 - 20% of large-caps compared to 5% of mid-caps disclose outcomes of the board evaluation



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