

AMERICAN BOARD PRACTICES AND OVERSIGHT REPORT

ABOUT GNDI

The Global Network of Director Institutes (GNDI) is an international network of 22 director institutes and was established in December 2012 to foster closer cooperation between its members, who are each recognized as the leading institute for directors and governance in their respective country. GNDI collectively represents more than 150,000 individual directors and governance professionals.

NACD conducted this semiannual survey on behalf of GNDI to better understand how boards have dealt with the global COVID-19 crisis. We are conscious that COVID-19 is an ongoing crisis, and that these results do not reflect board work throughout the duration of the crisis. The data represented here shows how boards reacted to the pandemic from its onset in December of 2019 to the survey closure in September of 2020.

TABLE OF CONTENTS

4	Key Findings
5	Demographics
7	How Boards Responded to COVID-19
10	What Might Be Different Moving Forward?
14	How Will the COVID-19 Crisis Impact How Your Board Operates Moving Forward?
15	Diversity, Equity, and Inclusion

National Association of Corporate Directors

1515 N. Courthouse Road, Suite 1200

Arlington, VA 22201

571-367-3700

[NACDonline.org](https://www.nacdonline.org)

© Copyright 2020, National Association of Corporate Directors. All rights reserved.

Except as permitted under the US Copyright Act of 1976, no part of this publication may be reproduced, modified, or distributed in any form or by any means, including, but not limited to, scanning and digitization, without prior written permission from NACD.

This publication is designed to provide authoritative commentary in regard to the subject matter covered. It is provided with the understanding that neither the authors nor the publisher, the National Association of Corporate Directors, is engaged in rendering legal, accounting, or other professional services through this publication. If legal advice or expert assistance is required, the services of a qualified and competent professional should be sought.

KEY FINDINGS

Virtual Board Meetings Are Here to Stay

About two-thirds of respondents said that at least 20 percent of full-board meetings would be virtual going forward while three-quarters said that at least 20 percent of committee meetings will be virtual going forward. This may usher in changes to the board agenda and to how boards get their work done.

Despite Drawbacks, Virtual Meetings Work

When shifting from in-person to remote board work, losing nonverbal communication was overwhelmingly the biggest challenge directors (72%) faced. Yet 94 percent of respondents believe that they could govern effectively in this environment and 87 percent believe that they could do so without overburdening management.

Directors Are Working Overtime

Sixty-three percent of directors reported that their time commitment increased by at least half during the first nine months of the year. As their organizations responded to COVID-19 and its impact on the economy, boards met more often to meet the constant demands of corporate governance, which is reflected in the number of directors reporting an increased workload.

Few Ready for Pandemic, Most Pleased With Management's Response

Eighty-five percent of respondents said that pandemic risk was not on their risk dashboard 12 months ago and 80 percent did not have mobility restrictions. However, 74 percent report that their crisis plan was effective in responding to the COVID-19 crisis.

Recalibrating Strategy Is the Top Governance Concern

When it comes to the top three challenges in responding to the COVID-19 crisis, 59 percent cited recalibrating strategies to new markets or environments in the short or long term, 47 percent cited ensuring that virtual board meetings were as effective as in-person meetings, and 45 percent cited providing support to management without getting in its way. That a majority reported that recalibrating strategies to new markets was a challenge shows just how uncertain board work was during the first stages of the COVID-19 pandemic.

Changes to Risk Management Are Likely

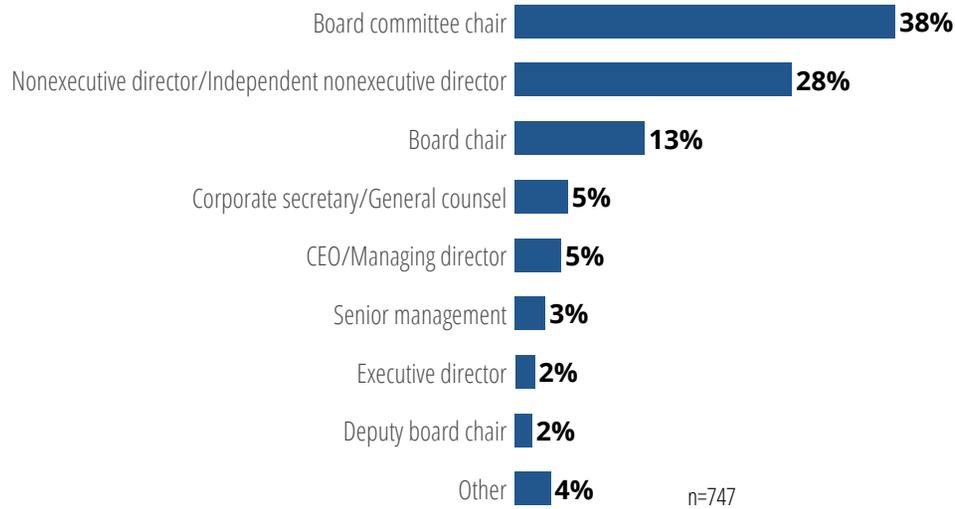
Among the areas of governance most significantly impacted by the COVID-19 pandemic, 61 percent cited incorporating a new, broader risk set into scenario planning and 46 percent cited ensuring the ongoing health and safety of employees. This confirms the prevalent view that the most-likely outcomes of the COVID-19 pandemic in corporate governance will be a renewed focus on ESG as well as a reevaluation of risk reporting.

Boards Remain in Early Stages of Confronting Issues of Diversity, Equity, and Inclusion (DE&I)

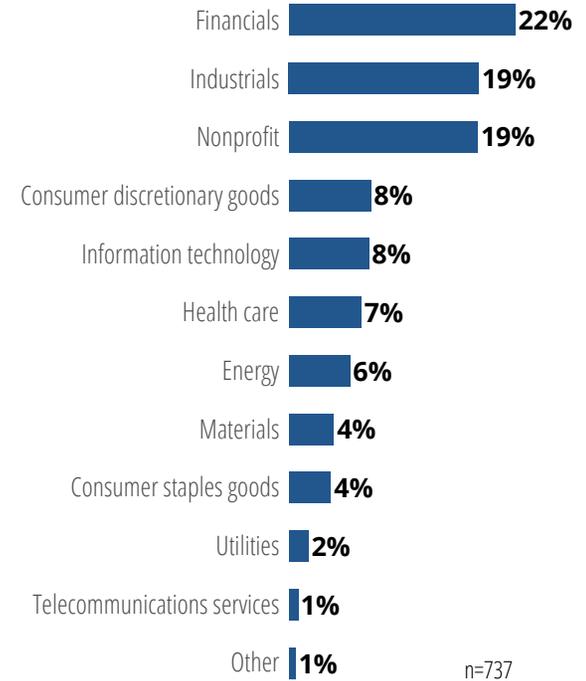
The full board has primary responsibility for DE&I oversight at two-thirds of organizations. More than two-thirds (70%) have discussed their organization's approach to DE&I. Slightly fewer (66%) have asked management to improve the organization's DE&I record. Boards have just begun to discuss other issues such as institutional racism within their organization (32%), strategies for philanthropy (17%), and policies for spending with minority-owned suppliers (12%).

DEMOGRAPHICS

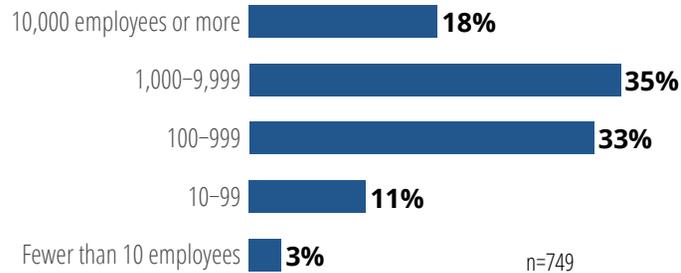
Role Within the Organization (percentage of directors)



Industry (percentage of directors)

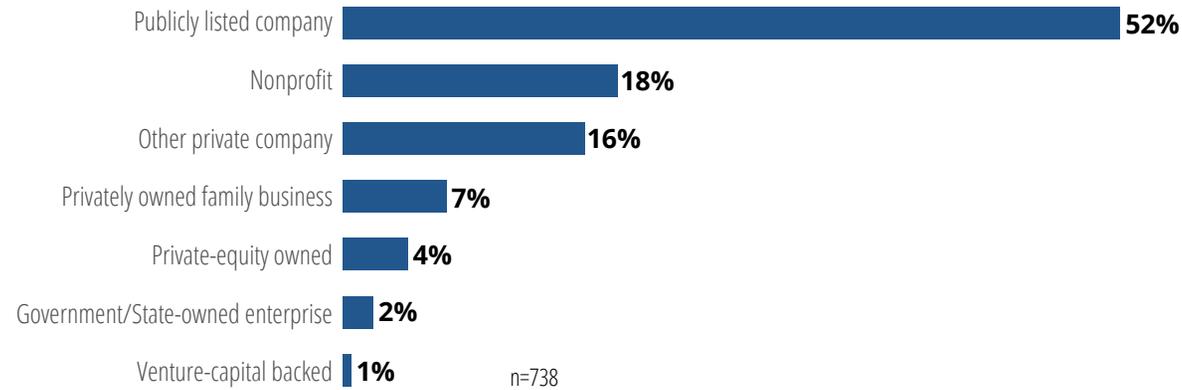


Total Number of Employees (percentage of directors)

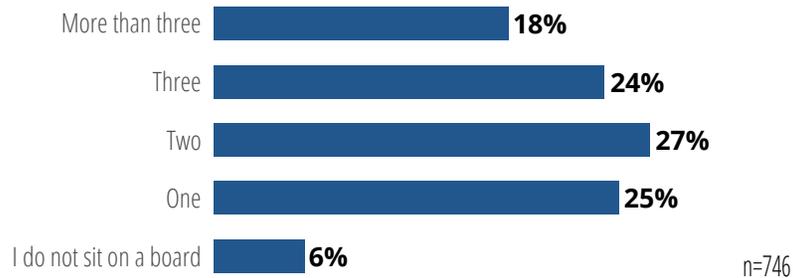


DEMOGRAPHICS (Cont'd.)

Organization Type (percentage of directors)



Total Number of Board Seats (percentage of directors)

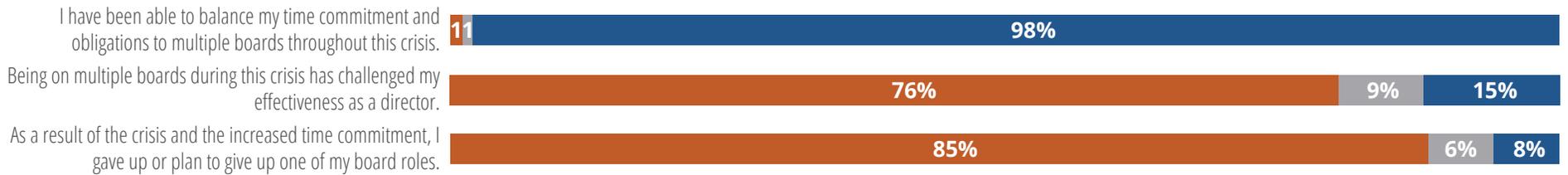


HOW BOARDS RESPONDED TO COVID-19

Directors on Multiple Boards (percentage of directors)

Disagree Neither agree nor disagree Agree

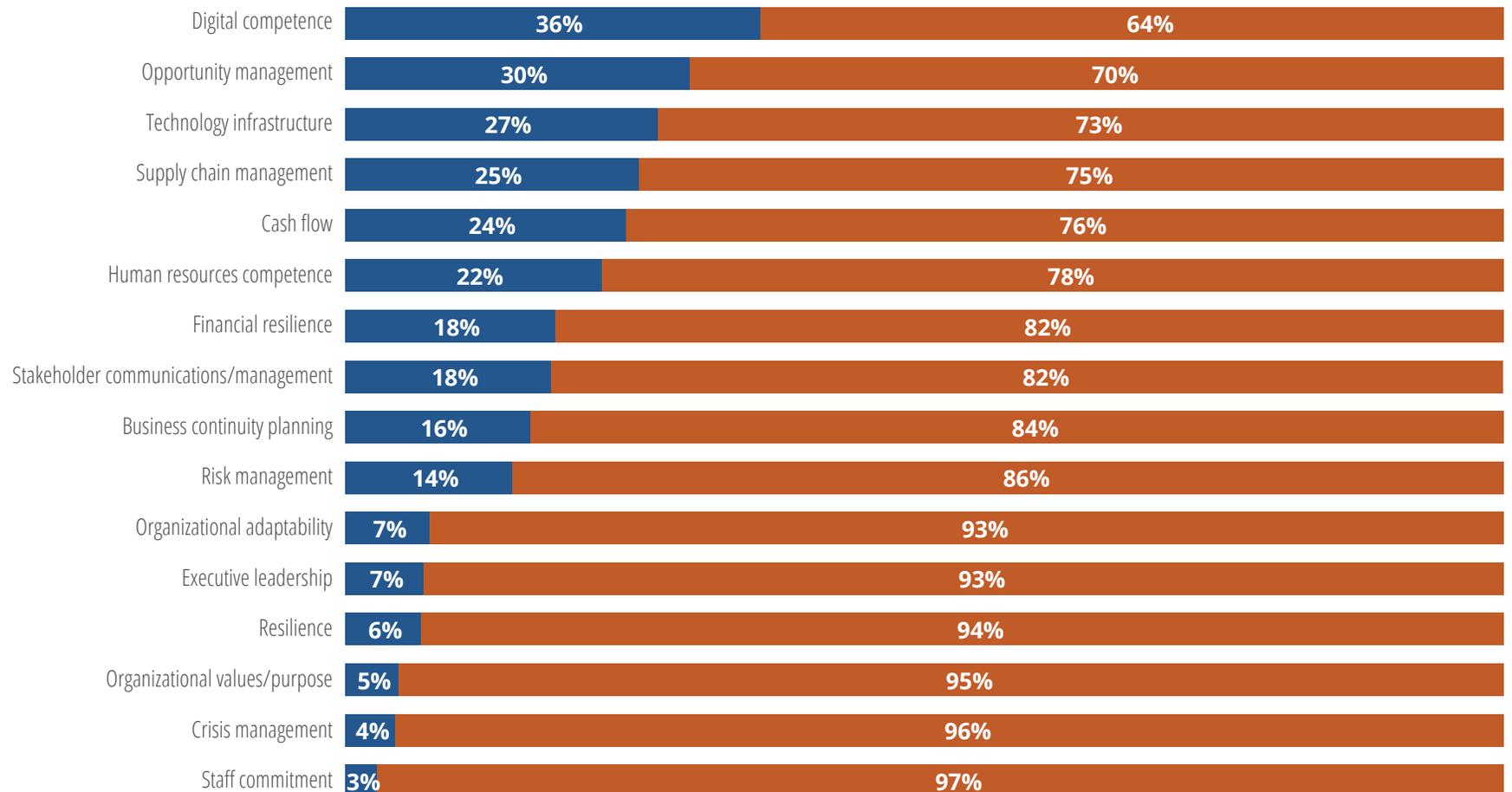
n=517-519



Organizational Strengths and Weaknesses in COVID-19 Response (percentage of directors)

Weakness Strength

n=706-747

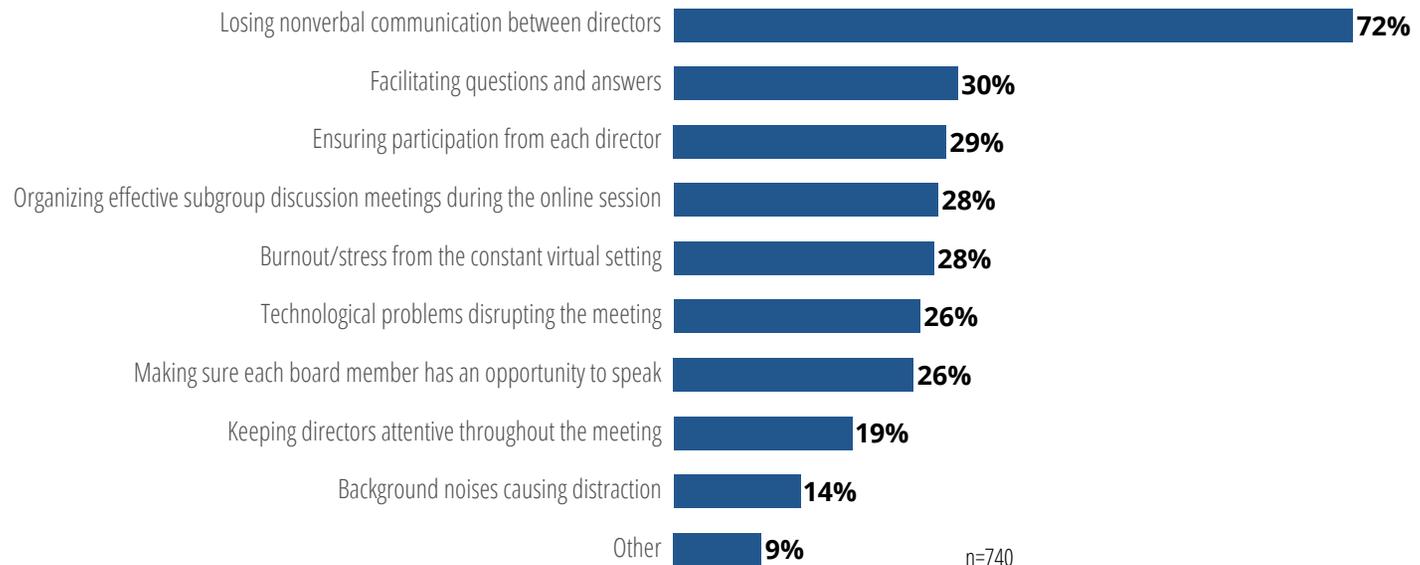


HOW BOARDS RESPONDED TO COVID-19 (Cont'd.)

Top Three Challenges in Responding to the COVID-19 Crisis (percentage of directors)

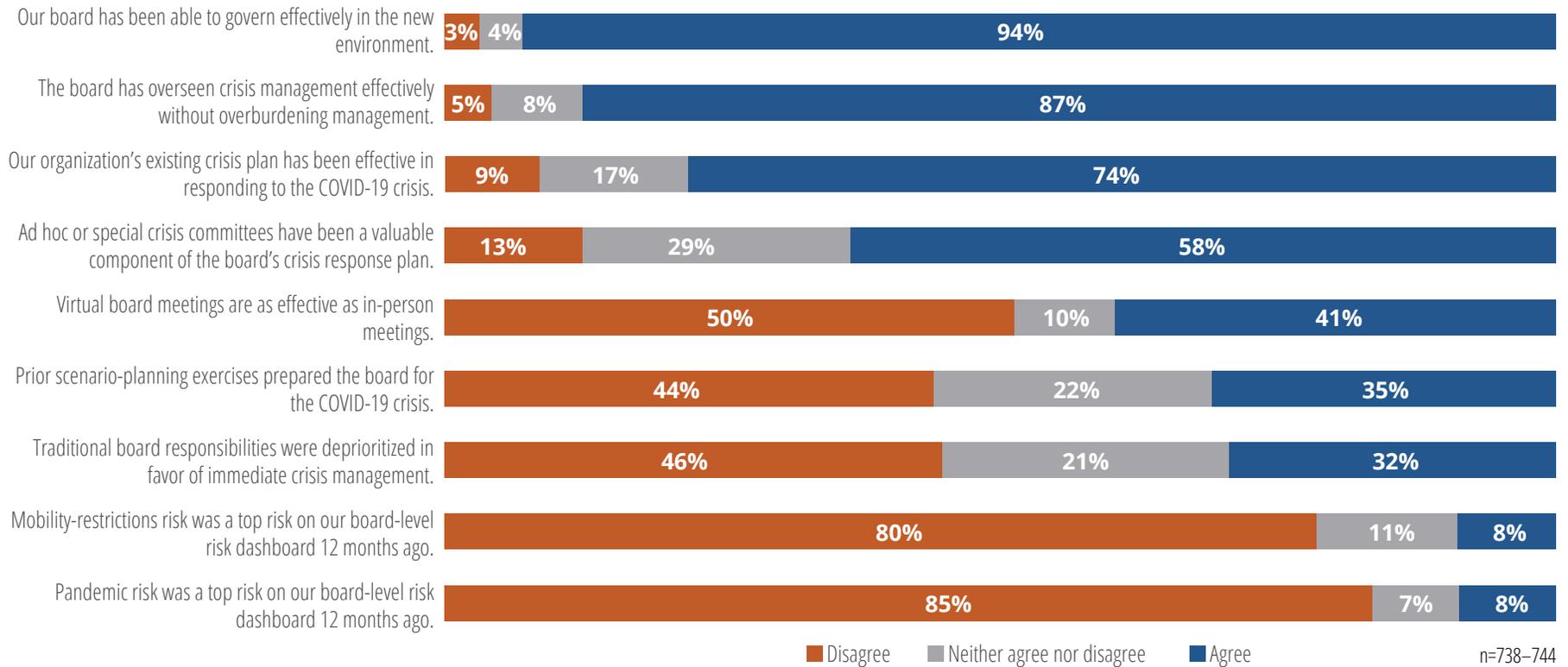


Top Three Challenges in Adapting Meetings to the Virtual Setting (percentage of directors)

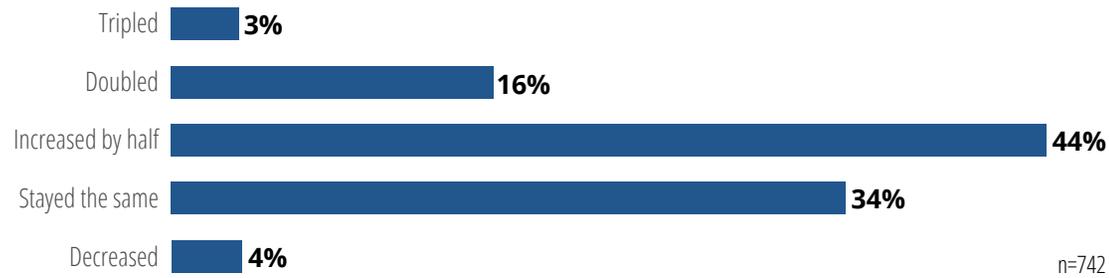


HOW BOARDS RESPONDED TO COVID-19 (Cont'd.)

COVID-19 Preparedness (percentage of directors)



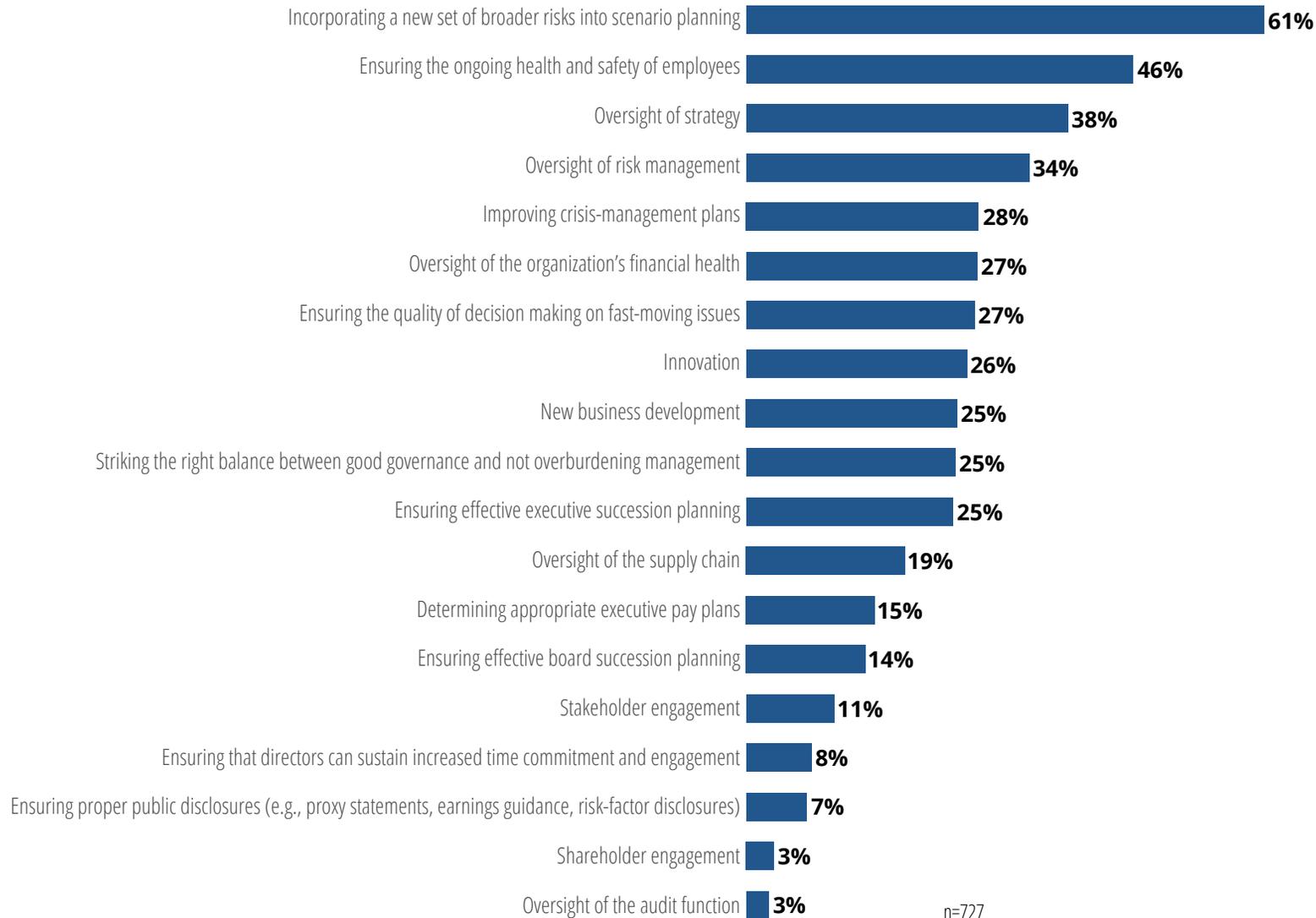
Change in Time Commitment Due to the COVID-19 Crisis (percentage of directors)



WHAT MIGHT BE DIFFERENT MOVING FORWARD?

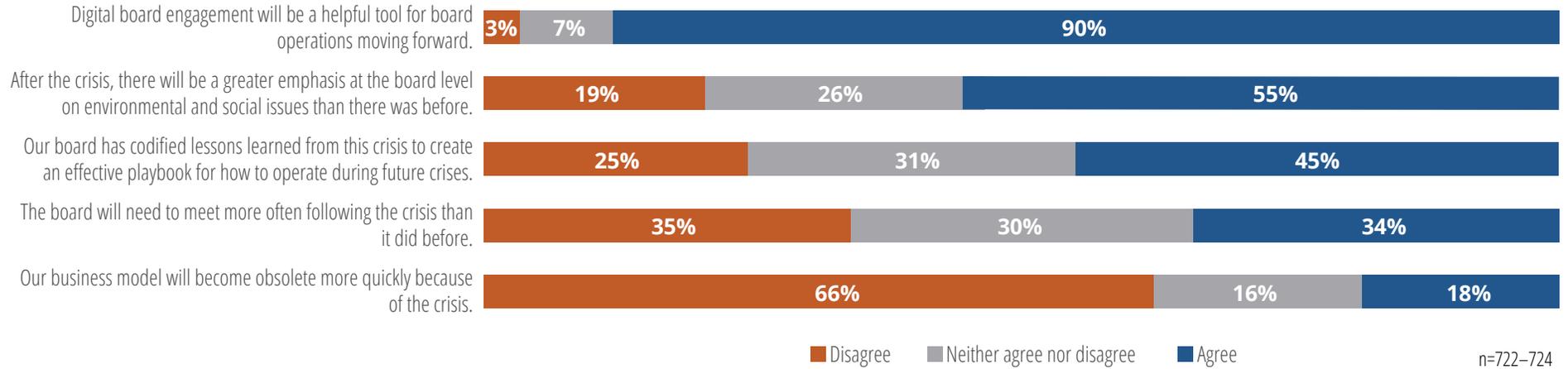
Areas of Governance With Most Significant Long-Term Impacts From the COVID-19 Crisis

(percentage of directors)



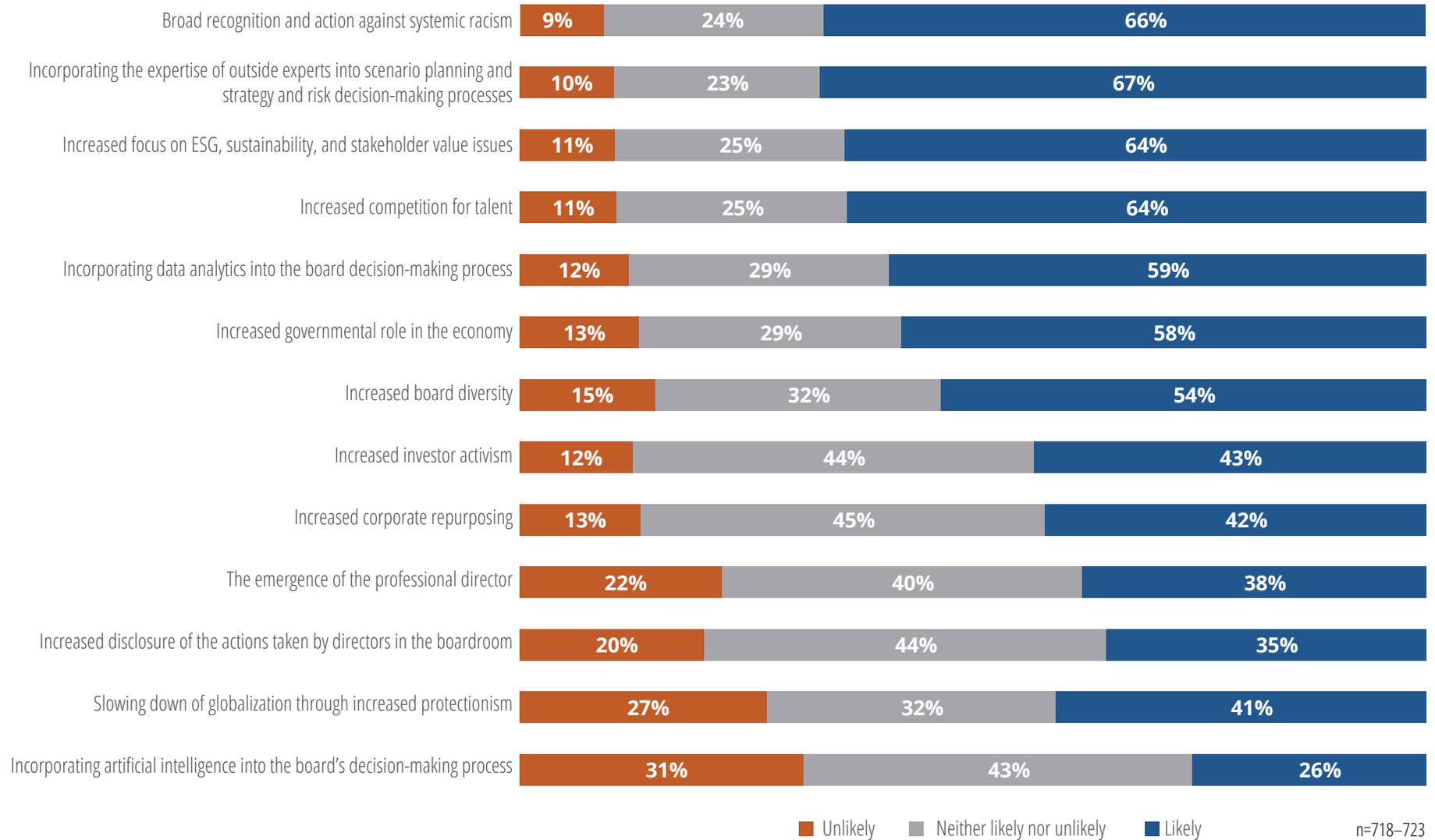
WHAT MIGHT BE DIFFERENT MOVING FORWARD? (Cont'd.)

Boards Moving Forward After the COVID-19 Crisis (percentage of directors)



WHAT MIGHT BE DIFFERENT MOVING FORWARD? (Cont'd.)

Likelihood of the COVID-19 Crisis Changing the Trajectory of Long-Term Trends (percentage of directors)



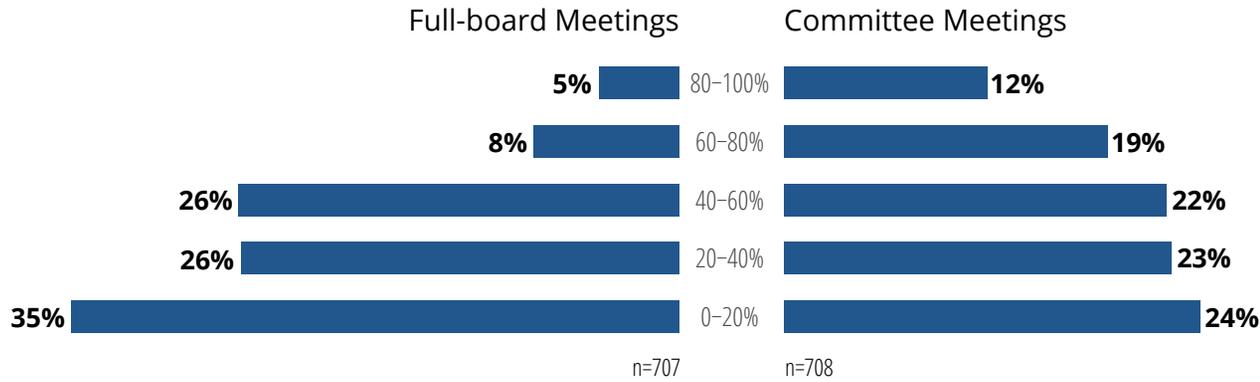
WHAT MIGHT BE DIFFERENT MOVING FORWARD? (Cont'd.)

What Boards Will Do Differently Moving Forward (percentage of directors)

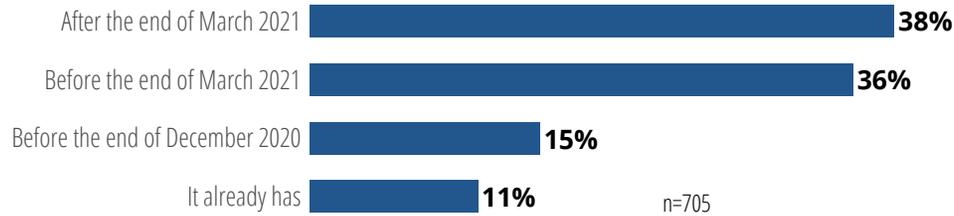


HOW WILL THE COVID-19 CRISIS IMPACT HOW YOUR BOARD OPERATES MOVING FORWARD?

Percentage of Virtual Meetings Following the Crisis (percentage of directors)

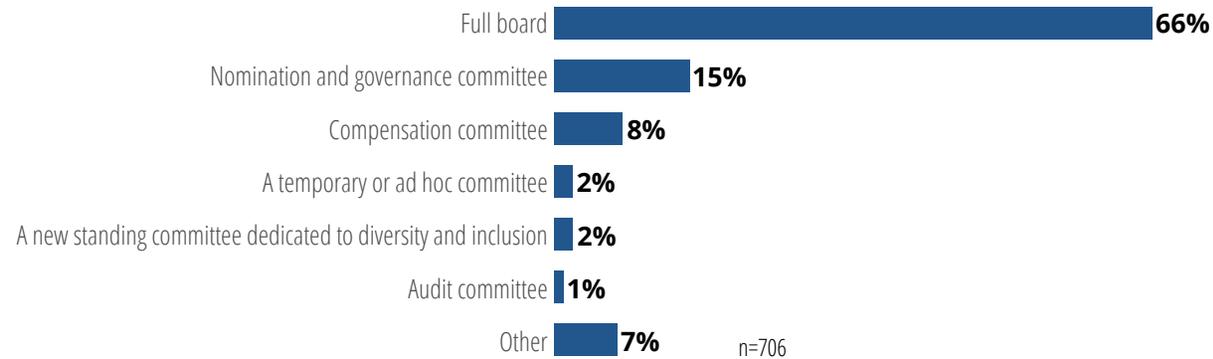


When Boards Will Hold Their Next In-person Meeting (percentage of directors)

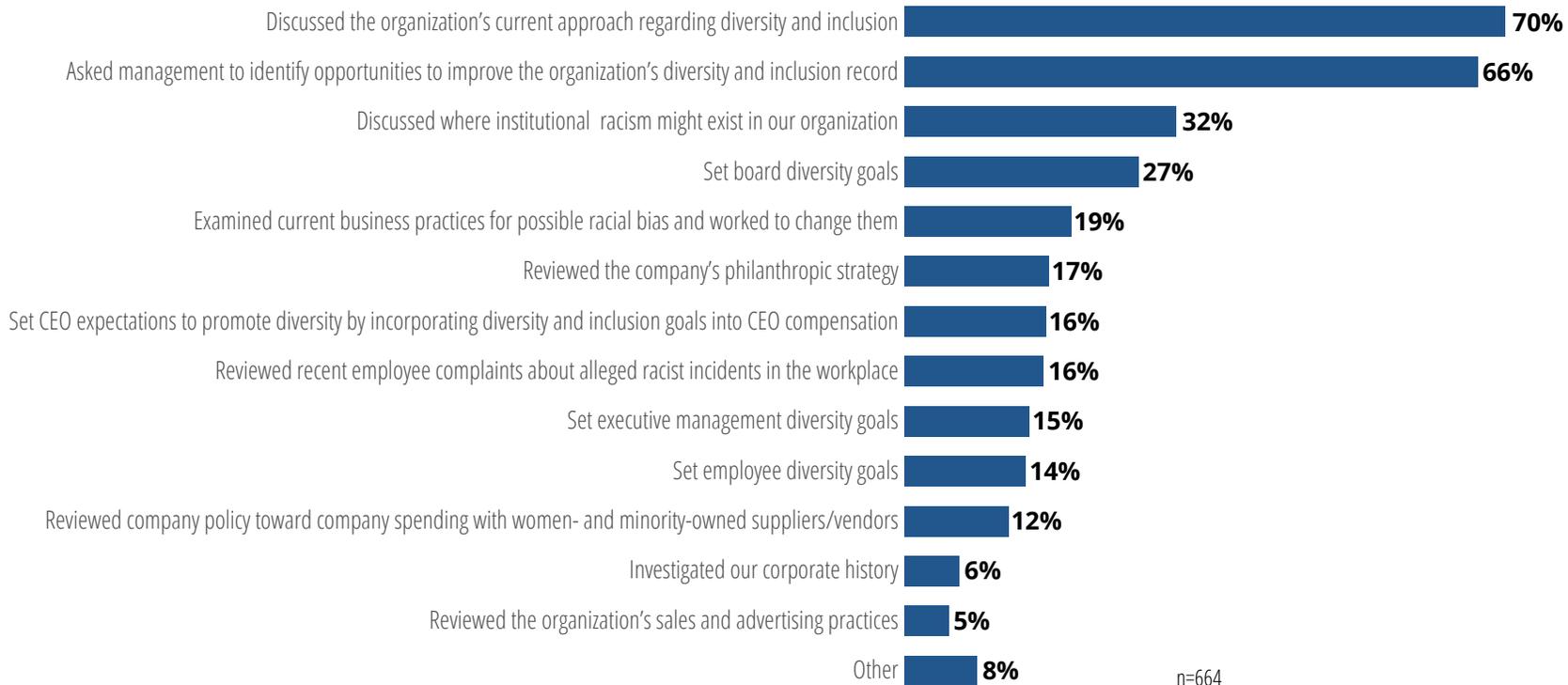


DIVERSITY, EQUITY, AND INCLUSION

Where Oversight of Organization-Wide Diversity, Equity, and Inclusion Is Located (percentage of directors)



What Steps Boards Have Performed to Address Issues of Diversity, Equity, and Inclusion (percentage of directors)





1515 N. Courthouse Road, Suite 1200
Arlington VA 22201

NACDonline.org