



## Board Practices Quarterly

### Evolving lines of responsibility between the board and management

As the business environment continues to evolve in complexity, so does the oversight role of boards. At the same time, investor, regulator, and other stakeholder expectations of board involvement in certain aspects of the business, including aspects traditionally within management's sole purview, are changing in ways that may blur the lines of responsibility between the two. Ultimately, management's job is to manage, whereas the board's role is to oversee. Effective oversight relies upon maintaining clear lines of responsibility between the board and management.

This *Board Practices Quarterly* presents findings from a survey of members of the Society for Corporate Governance on the board's leadership structure, independence, and involvement in a number of business matters, including activities related to corporate strategy, human capital, risk and risk management, and operations.

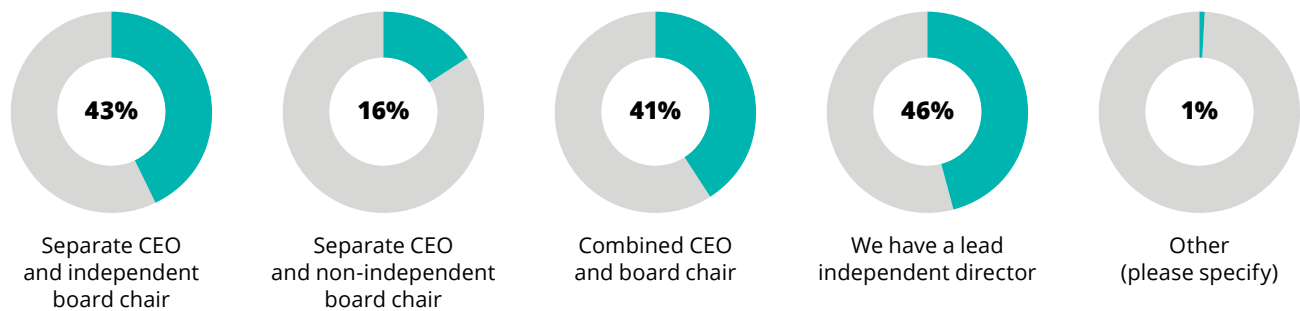
# Findings

Respondents, primarily corporate secretaries, in-house counsel, and other in-house governance professionals, represent 101 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.

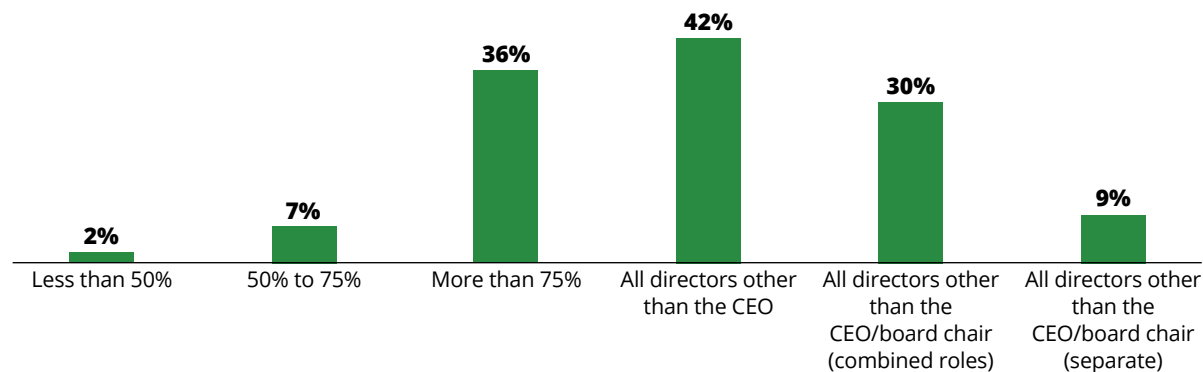
[Access](#) results by company size and type.

To facilitate independent board oversight of management and avoidance of conflicts of interest, some may advocate for a separation of the roles of the board chair and CEO and selection of an independent chair or, where there is a combined CEO/chair structure, appointing a lead director whose specific responsibilities are principally aimed at providing independent leadership to the board. Further, a majority independent board can promote independence from management so that directors can provide objective oversight.

## Which describes your board leadership structure? [Select all that apply] (100 responses)



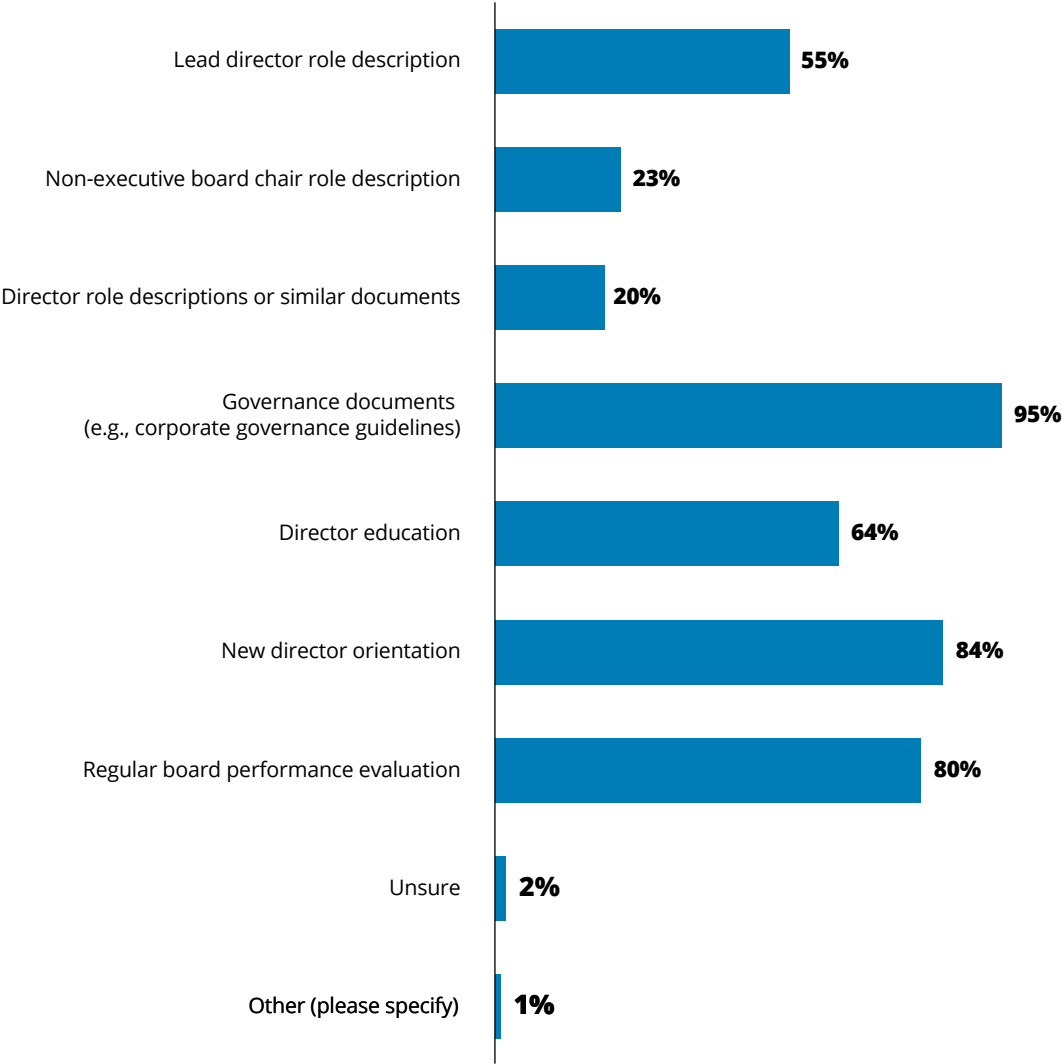
## Which describes the representation of independent, non-executive directors on your board? [Select all that apply] (99 responses)



Note: 1% of respondents answered "Other (please specify)" and no respondent answered "Unsure."

What practices does your company utilize to establish a mutual understanding among the board and management of their respective roles and responsibilities? [Select all that apply] (98 responses)

Companies commonly rely on their governance documents, such as corporate governance guidelines, along with other practices, to delineate board vs. management responsibilities. Notably, of companies with a lead director (46% of all companies), 55% have a lead director role description. In comparison, of those with a non-executive chair (16% of all companies), 23% have a description for that role.



Note: Shaded areas in the tables that follow highlight activities where there is ≥50% response rate.

**Indicate the approval authority of your board with respect to the development/update of the following activities. [Select all that apply] (71 responses)**

Among market caps, the greatest variations pertained to:

- Board committee approval required for:
  - Succession plan for C-suite (or equivalent) other than CEO, reported by 32% of large-caps and 9% of mid-caps.
  - Sustainability strategy, reported by 32% of large-caps and 11% of mid-caps.
  - Code of conduct/ethics for below C-suite (or equivalent), reported by 13% of large-caps and 32% of mid-caps.
- Board committee review only for compensation and benefits programs for workforce below C-suite (or equivalent), reported by 35% of large-caps and 54% of mid-caps.
- No board or board committee review or approval required for shareholder engagement strategy, reported by 32% of large-caps and 11% of mid-caps.

	Board approval required	Board committee approval required	Board review only	Board committee review only	No board or board committee review or approval required	Unsure	N/A
Succession plan for C-suite (or equivalent) other than CEO	30%	21%	38%	24%	3%	3%	0%
Succession plan for below C-suite (or equivalent)	1%	8%	23%	25%	41%	3%	1%
Annual budget	73%	9%	17%	1%	4%	0%	0%
Code of conduct/ethics for C-suite (or equivalent)	69%	29%	3%	9%	6%	1%	0%
Code of conduct/ethics for below C-suite (or equivalent)	64%	24%	3%	7%	10%	3%	1%
Delegations of authority to below the C-suite (or equivalent)	31%	13%	10%	3%	43%	7%	0%
Travel and expense policy for C-suite (or equivalent)	11%	6%	9%	6%	66%	1%	4%
Insider trading policy/10b5-1 plans	42%	28%	4%	13%	24%	1%	0%
M&A strategy	35%	13%	49%	7%	3%	1%	3%
Marketing/branding strategy	3%	1%	48%	6%	34%	6%	4%
Media strategy	0%	1%	31%	6%	46%	6%	10%
Multiyear (i.e., longer-term) strategic plan	44%	10%	51%	4%	1%	0%	0%
Shareholder engagement strategy	1%	6%	34%	37%	21%	3%	7%
Social impact or corporate responsibility strategy	4%	20%	25%	51%	8%	1%	3%
Stakeholder (non-shareholder, e.g., vendors, suppliers) engagement policy or strategy	1%	1%	13%	14%	52%	8%	11%
Sustainability strategy	7%	20%	30%	41%	10%	1%	7%
Annual health and wellness plan(s) for workforce	0%	4%	1%	26%	59%	4%	7%
Compensation and benefits programs for workforce below C-suite (or equivalent)	7%	13%	7%	44%	32%	1%	1%
Interaction with workforce below C-suite (or equivalent)	1%	0%	11%	14%	50%	13%	14%
Selection, appointment, and termination of C-suite (or equivalent) other than CEO	51%	30%	26%	9%	6%	1%	0%
Vacation/PTO policy for workforce	0%	1%	1%	11%	70%	4%	11%

**Which best describes the involvement of your board and/or board committee with respect to the following corporate strategy-related activities?** (66 responses) *(Note: This excludes required review and/or approval as part of the company's governance guidelines or policies.)*

Among market caps, the greatest variations pertained to:

- Board and/or board committee always or regularly involved in social impact or corporate responsibility strategy development/update, reported by 60% of large-caps and 35% of mid-caps.
- Board and/or board committee sometimes or rarely involved in M&A strategy development/update, reported by 23% of large-caps and no mid-caps. Comparatively, 77% of large-caps and 94% of mid-caps reported that their board or board committees are always or regularly involved.

	Always or regularly involved	Sometimes or rarely involved (e.g., depending on circumstances)	No involvement	Unsure	N/A
M&A strategy development/update	85%	12%	2%	0%	2%
Marketing/branding strategy development/update	17%	56%	21%	3%	3%
Media strategy development/update	6%	39%	48%	3%	3%
Multiyear (i.e., longer-term) strategic plan development/update	94%	3%	2%	0%	2%
Shareholder engagement strategy	21%	56%	18%	2%	3%
Social impact or corporate responsibility strategy development/update	47%	44%	8%	0%	2%
Stakeholder (non-shareholder, e.g., vendors, suppliers) engagement strategy	11%	39%	47%	2%	2%
Sustainability strategy development/update	52%	39%	8%	0%	2%

**Which best describes the involvement of your board and/or board committee with respect to the following human capital-related activities?** (64 responses) *(Note: This excludes required review and/or approval as part of the company's governance guidelines or policies.)*

	Always or regularly involved	Sometimes or rarely involved (e.g., depending on circumstances)	No involvement	Unsure	N/A
Annual health and wellness plan(s) for workforce	8%	31%	58%	2%	2%
Benefits plans for workforce	13%	38%	48%	2%	0%
Compensation programs for workforce below senior management level	17%	45%	38%	0%	0%
Interaction with workforce below management level	5%	44%	47%	3%	2%
Management (other than CEO) succession planning	67%	28%	3%	2%	0%
Succession planning below management level	6%	38%	55%	2%	0%
Vacation/PTO policy for workforce	2%	10%	87%	2%	0%

**Which best describes the involvement of your board and/or board committee with respect to the following operations-related activities? (63 responses) (Note: This excludes required review and/or approval as part of the company's governance guidelines or policies.)**

Among market caps, the greatest variation pertained to:

- Board and/or board committee always or regularly involved in sustainability strategy implementation, reported by 21% of large-caps and no mid-caps.

	Always or regularly involved	Sometimes or rarely involved (e.g., depending on circumstances)	No involvement	Unsure	N/A
M&A due diligence	14%	27%	57%	0%	2%
M&A integration	22%	41%	35%	0%	2%
Media responses or outreach	0%	48%	51%	2%	0%
Participation in disclosure committee meetings	2%	6%	90%	0%	2%
Selection of primary outside corporate counsel	0%	17%	81%	0%	2%
Selection of banking institution(s) for any purpose (e.g., investments, payroll, deposit, borrowing, or other relationships)	0%	19%	79%	0%	2%
Shareholder engagement	5%	83%	11%	2%	0%
Stakeholder (non-shareholder, e.g., vendors, suppliers) engagement	2%	19%	78%	2%	0%
Sustainability strategy implementation	10%	46%	43%	2%	0%

**Which best describes the involvement of your board and/or board committee with respect to the following risk management/risk mitigation-related activities? (62 responses) (Note: This excludes required review and/or approval as part of the company's governance guidelines or policies.)**

Among market caps, the greatest variations pertained to:

- Board and/or board committee always or regularly involved in shareholder activism response, reported by 56% of large-caps and 77% of mid-caps.
- Board and/or board committee always or regularly involved in annual risk management plan(s) development/update, reported by 70% of large-caps and 87% of mid-caps.

	Always or regularly involved	Sometimes or rarely involved (e.g., depending on circumstances)	No involvement	Unsure	N/A
Annual risk management plan(s) development/update	79%	13%	8%	0%	0%
Risk profile development/update	65%	26%	10%	0%	0%
Crisis response	37%	53%	8%	2%	0%
Cyber incident response	44%	52%	3%	2%	0%
Shareholder activism response	66%	29%	0%	2%	3%

**Endnote**

1. Public company respondent market capitalization as of December 2023: 42% large-cap (which includes mega- and large-cap) (> \$10 billion); 51% mid-cap (\$2 billion to \$10 billion); and 8% small-cap (which includes small-, micro-, and nano-cap) (< \$2 billion). Respondent industry breakdown: 26% financial services; 24% energy, resources, and industrials; 23% consumer; 15% technology, media, and telecommunications; and 13% 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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