

Director Survey Reflects Tension and Skepticism of Investor Priorities

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PwC's annual [corporate directors survey](#) concludes that boards are evolving and seeking change, rather than primarily valuing collegiality and consensus. The survey also shows some discontent among directors with their fellow members, and that they remain unconvinced about the importance of some key investor prerogatives.

About 45% of directors think that a member of their board should be replaced, with 21% of them indicating that two or more directors are underperforming. The types of issues that directors cite as indicators of poor behavior include both too much as well as too little involvement; 18% believe that fellow directors overstep the boundaries of his or her oversight role, while 16% point to other directors' reluctance to challenge management as a significant issue.

As investors almost uniformly advocate for more board diversity, some directors doubt the benefits. More than half (52%) believe that diversity efforts are driven by political correctness, and 48% said that investors are too preoccupied with diversity. Not even half – only 46% - responded that gender diversity is very important. More alarming may be that more than a quarter – or 26% - of directors indicated that diversity efforts have resulted in boards nominating unqualified candidates. Older directors, those over age 60, are much more likely to question the benefits of diversity.

The survey also reflects widely mixed views on the area of corporate social responsibility, with about 29% of directors saying that investors are too focused on sustainability issues, and 39% indicating that climate change should not impact company strategy at all. At the same time, the number of directors who conveyed that social issues should affect strategy have increased since last year by nearly 10%, with 36% citing concerns over healthcare costs and availability as the key topic of concern.

Two-thirds of directors agree that companies should be doing more to promote workplace diversity, but 9% say that they should be doing less. About 45% of directors believe that their company has done a decent job of developing diverse executive talent.

While directors are much more willing to engage with investors, with only 13% saying that it was not appropriate, 49% of directors believe that investors often have a special agenda.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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