

Govenda
Corporate Governance
Outlook 2023



GOVENDA[®]
BOARD SUCCESS PLATFORM™

Corporate Governance Trends for 2023

As another unprecedented year comes to an end, corporate boards of directors continue to navigate rapidly changing market conditions. So much change and volatility mean it's crucial that your board understands and prepares for the future of corporate governance, and the issues that will drive corporate governance in 2023.

Stakeholders' and investors' continued interest in the efficiency of their board of directors ratchets up the pressure even more. Boards need to be agile, efficient, and well-informed.

As boards and businesses define their operational and corporate governance strategies for 2023, they'll continue to focus on ESG, security, and the shift to stakeholder governance. Issues taking up more of their time in 2023 will include value creation and the digital transformation.



10 Issues that will Impact Modern Board Governance in 2023:

1. Director Independence

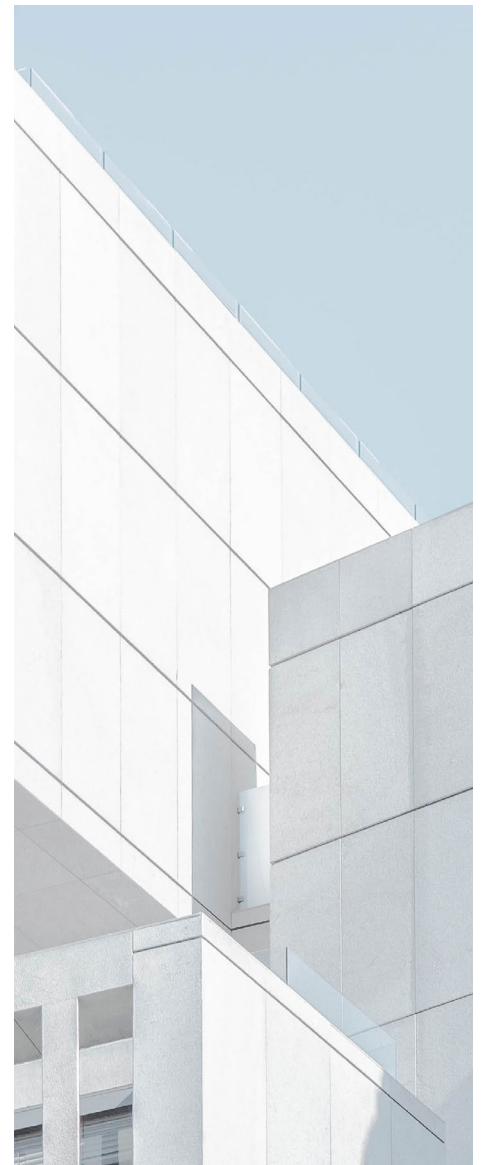
Independent directors bring new perspectives and new ideas to the board. They augment the board's knowledge base and expertise and can be counted on to keep the company's best interests at heart. When members feel tied to the board through relationships (business, personal, or social), perks, compensation, interlocking directorate, or anything else, they can lose their objectivity.

Independent board members are more impartial because they don't have the close ties to the company that the executive and investor board members do. Modern governance depends on this neutrality so boards can be sure they're making decisions that are supporting the company's short- and long-term objectives.

2. The Shift to Stakeholder Governance

Forward-looking boards see the writing on the wall: The world is shifting to **stakeholder governance**, and they need to keep up. Modern boards understand that the quest for long-term profitability and the desire to make the planet a better place are not mutually exclusive ideas. And investor interest in companies practicing stakeholder governance is only increasing. They see the opportunities, long-term sustainability, and improved performance that come from stakeholder governance.

Boards continue to proactively prepare for the shift. They're ensuring their short- and long-term strategies consider what's best for all their stakeholders, including their communities, investors, employees, suppliers, customers, shareholders, and more.



10 Issues that will Impact Modern Board Governance in 2023:

3. Focus on DE&I

The pressure is on companies and corporate boardrooms to create diverse, supportive, and inclusive environments—in their advertising, in their C-suites, and in their boardrooms. In addition to the **bottom-line benefits** of having diversity in boardrooms, boards and businesses are improving diversity and inclusion because it's the right thing to do.

Diverse boards include members of different cultural and economic backgrounds, as well as multigenerational members. For the first time ever, there are five generations in the workforce, and they each bring their own perspectives and experience.

Many boards have opted to hire DE&I leaders to help them navigate any potential biases and other challenges that come with the desire to increase boardroom diversity.

4. Board Effectiveness and Value Creation

A well-functioning board is a competitive advantage. It plays a critical role in the success of the company. In 2023, instability will continue to be the new normal, and businesses will depend on their boards for support. Effective communication will be key, especially between the board and the CEO (who is feeling all the pressure the board is feeling, and more).

Continuing volatility caused by inflation, increased regulations, political instability, investor scrutiny, threat of recession, and more, mean boards will need to be agile. Successful boards will be proactive and be able to make good decisions quickly. They'll support the CEO with a forward-looking strategy and keep management accountable for achieving company goals.

Boards will need robust corporate governance practices that mitigate risk, manage compliance, promote accountability, increase transparency, and minimize agency conflict.



10 Issues that will Impact Modern Board Governance in 2023:

5. Continued Focus on ESG

The Supreme Court's West Virginia vs EPA ruling will create some legal hurdles for the SEC's proposed climate-change disclosure rules. But ESG investing is still increasing, and investors are still requesting extensive disclosure information that details companies' ESG risks. They know that a company's ESG performance has an impact on its overall performance and sustainability.

In 2023, boards will need to continue to prioritize how they can take advantage of the business value of ESG, while mitigating its risks. Consumers are beginning to understand the negative impacts that industry has on the planet, and they're holding companies responsible for being good corporate citizens.

Regardless of the progress of the SEC's disclosure rules, forward-looking boards and businesses will continue to take action on ESG issues because they understand the correlation to their business's short- and long-term success.

6. Executive Pay/Compensation Governance

In addition to consumers putting pressure on companies to be good corporate citizens, they're also focusing on executive pay and CEO benefits packages. The pandemic highlighted the pay disparity, with low-wage workers struggling and countless businesses closing while CEO compensation skyrocketed.

Boards need to reassess executive and CEO compensation structure, which has continued to grow exponentially faster than the salaries of typical employees. The increasing wage gap is a stark reminder of the inequality that exists in the C-suite and boardrooms.

A thorough assessment and understanding of the executive pay structure (compensation, incentives, bonus, etc.) will ensure that it's competitive, and ensure pay equity and equality throughout the organization.



10 Issues that will Impact Modern Board Governance in 2023:

7. Board Evaluations and Self-Assessments

One of the easiest ways to ensure your board is operating as effectively as possible is to conduct periodic board evaluations and assessments of the board's performance (as a whole and for individual members). The increased demands being put on boards in 2023 (and beyond) make regular board performance evaluations a necessity.

Regular reviews of your board's governance structures, and processes (including [D&O Questionnaires](#) and Board Evaluation Questionnaires) will show exactly where your board is succeeding and where its challenges lie. Board effectiveness evaluations foster a productive and future-focused board.

Board evaluations help ensure investors, regulators, and stakeholders that your board is operating as effectively as possible.

8. Security/Cybersecurity

The SEC is increasing their requirements for cybersecurity disclosures, so boardroom security will certainly continue to be a priority for boards in 2023. [The new rules](#) would require, "...current reporting about material cybersecurity incidents," as well as, "... periodic disclosures about a registrant's policies and procedures to identify and manage cybersecurity risks, management's role in implementing cybersecurity policies and procedures, and the board of directors' cybersecurity expertise if any, and its oversight of cybersecurity risk."

By their nature, boards of directors have access to a company's most sensitive information, from trade secrets to customer information. Many rely on board management software / corporate governance software to provide an additional layer of protection. Boardroom technology and [cybersecurity in the boardroom](#) is imperative.

It's crucial that board members don't represent a corporate security risk for the company. They need to understand the risks they pose to the company, and to follow strict security protocols, including making sure their devices are always updated with the latest security. Secure [board portal software](#) can help.



10 Issues that will Impact Modern Board Governance in 2023:

9. Digital Transformation

Technology is fundamentally changing the shape of business across industries, and overseeing that transformation requires a board that understands and appreciates the opportunities the digital transformation brings. They need to be tech-savvy themselves and to determine how technology can improve every aspect of the business, from the boardroom to the factory floor.

In 2023, technology oversight will continue to be a priority for boards of directors, including data management and cybersecurity protocols. Forward-looking boards know that the impact new technology will have on their businesses will only grow, and they're keen to mitigate the risks and capitalize on the opportunities. Having board members who are tech-savvy will be a huge advantage.

10. Tone in the Middle

Tone in the middle culture assesses the standards and ethical behavior of employees, to predict the likelihood of ethical breaches taking place at the company. The idea is that most employees interact with the company's executives and board members, at 'the top' of the company, on a very limited basis. Their examples about the company's moral and ethical culture are set by their managers and supervisors, in middle management positions.

People in the middle management positions are more likely to be in tune with the prevailing attitudes of the typical employees, far more than the executives and the board members.

In 2023, it will be crucial for board members to be aware of any disparity between the ethical culture of the company that's happening at the top vs what it's like in the middle. Arguably, it's at this middle, employee level where the true corporate culture lives.

These trends, and many others, will affect how boards do business in 2023. Being prepared to navigate these challenges and opportunities will set your board up for success in the New Year and beyond.

Board Success Platform™

Govenda will help accelerate your board's transition to stakeholder governance, foster the bench strength of your organization, & connect shareholders and stakeholders.

99.5%
Customer Renewal

Industry Leading
Innovation

Award-Winning
Customer Support

Better Visibility and Measurement of Strategic Initiatives

Great governance programs require planning and communication. Govenda's features—influenced by Corporate Secretaries—ensure successful execution of your governance program.

- Forward agendas
- Questionnaire analytics
- High-resolution images for presentations
- Topic books created by powerful tagging of resolutions, votes, meetings, and more

Best-in-Class Integrations

Govenda's groundbreaking calendar integrations accommodate everyone's preferred workflows and eliminate the need to manage two or more calendars.

- Free/busy calendar view for all members
- Consolidated calendar view with all tasks, voting deadlines, and other important governance events beyond meetings
- Bi-directional syncing for Outlook & Google



Better Board Engagement

A board success platform is so much more than a secure document repository meant to be used four times a year. Empower each user (Chair, Corporate Secretary, Director, Information Contributor) with tools designed specifically for them.

- Engagement dashboards for Board Liaisons and/or Board Chairs
- Unique dashboards for each administrator based on preference and usage
- External contributor permissions
- Migration services

Additional Suites

D&O Suite

D&O Suite is a stand-alone product from Govenda designed to ease the painful processes surrounding yearly Director and Officer (D&O) Questionnaires, Board Evaluations, CEO Evaluations and more. It contains all the features needed to complete these yearly processes, securely and painlessly.

Committee Suite

Committee Suite is a stand-alone product or can be incorporated with our board success platform. Govenda provides a set of collaborative workrooms with features to quickly onboard new members, track tenure ensuring fresh ideas, and maintain or purge committees and their work once the purpose is completed.



One Unified & Secure Solution

- GDPR Compliant
- Two-Factor Authentication
- Single Sign-On
- Biometric Login
- Automated Logout
- Encryption
- Remote Wipe
- Granular Permissions
- Compliance Controls
- Microsoft-Enabled Editing



Unlimited Users and Committees

Don't let per-user pricing hold you back from focusing on stakeholder governance.



*Easier board management.
Deeper engagement with stakeholders.
A more successful board.*



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