BDO Corporate Governance Matters | WEBCAST SERIES

2024 Fall
Board Survey

October 30, 2024

BDO

With You Today

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AVRIL USSERY SISK

NACD Capital Area Chapter
Advisory Board
Prior Board Member Arlington
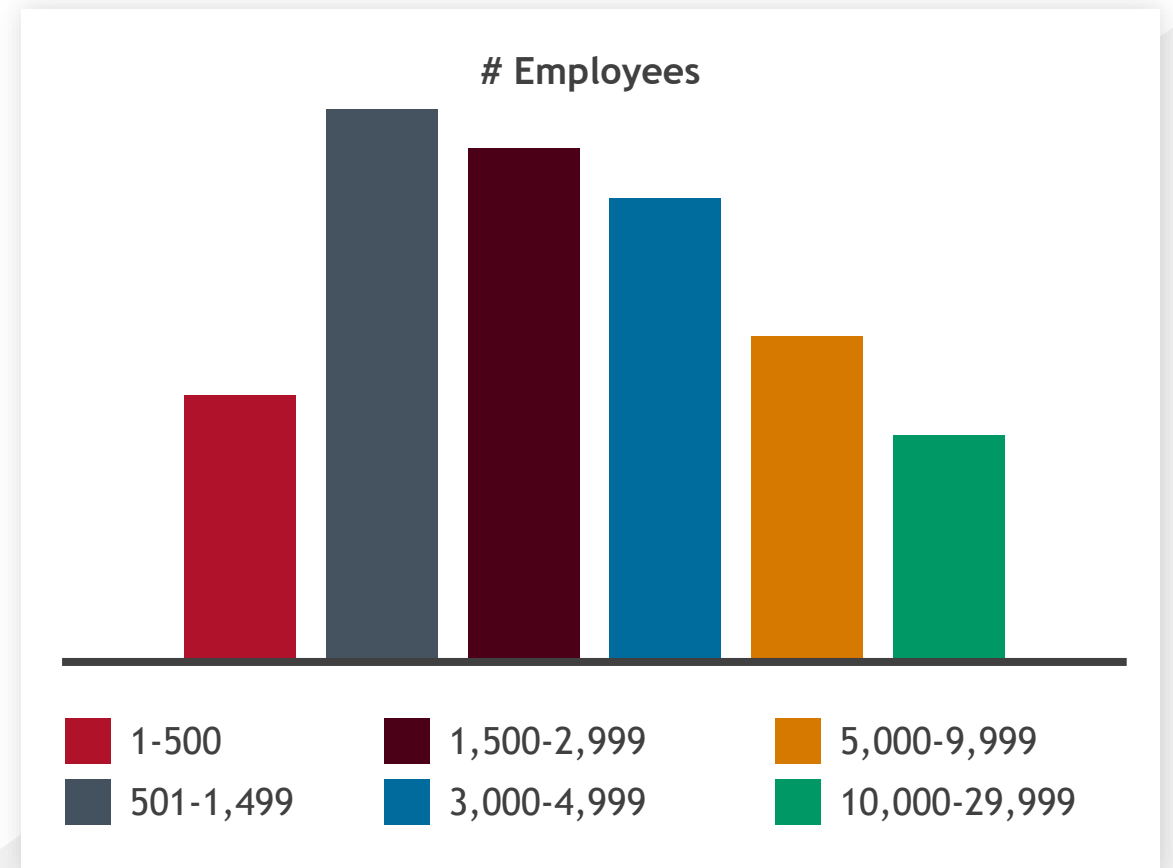County (VA) Economic
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JAMES BOREL

Chair of the Board,
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2024 BDO Board Survey

Participants: **249** Sitting Public Company Directors

Market Cap

- **$200M - $2B** 98
- **$2B - $10B** 84
- **<$200M** 38
- **$10B+** 22

Legend:
- Micro/Nano Cap
- Mid-Cap
- Small-Cap
- Large-Cap

 # Employees

Legend:
- 1-500
- 501-1,499
- 1,500-2,999
- 3,000-4,999
- 5,000-9,999
- 10,000-29,999

2024 BDO Board Survey
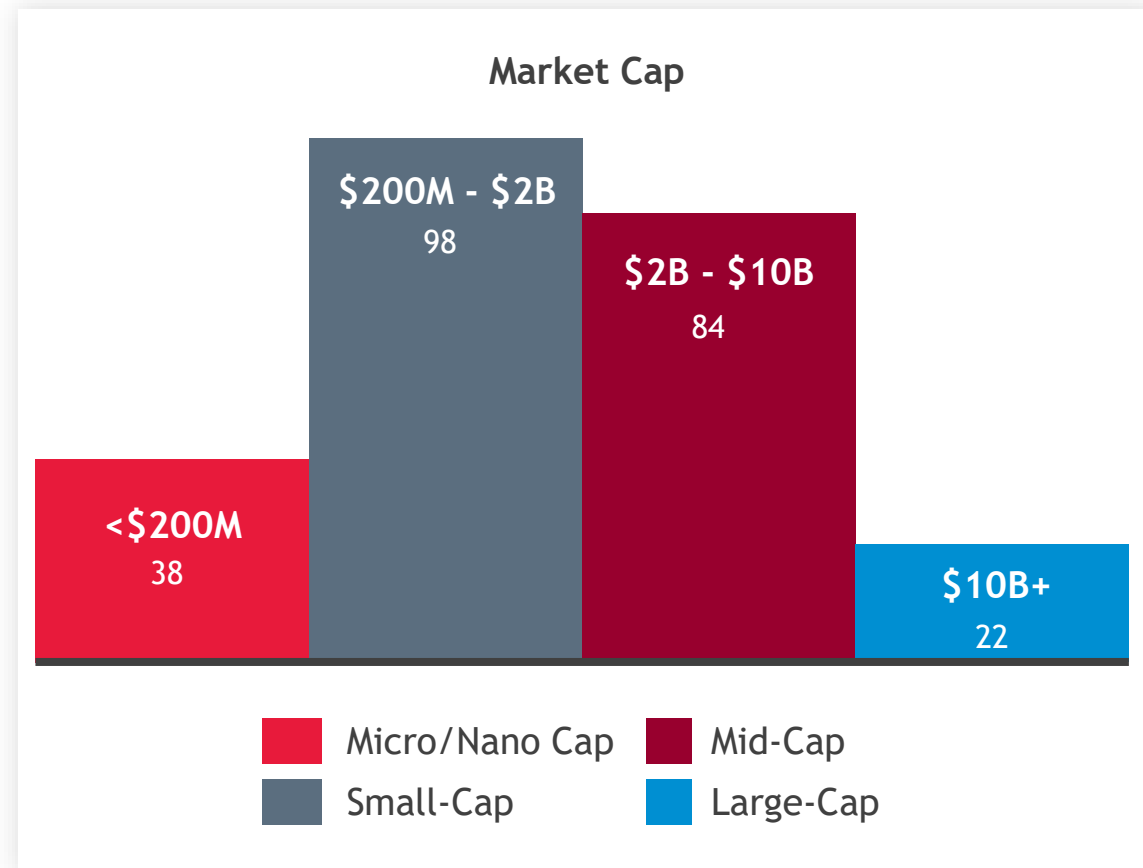
Boards Balance
Innovation and Risk
2024 BDO BOARD SURVEY

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Amid financial pressures, boards cite driving growth as their top priority

Advancing the use of AI and emerging technology is a key lever for growth, and companies are continuing to invest accordingly

At the same time, lagging technology implementation and increasing cyber threats are among the most significant noted risks, which suggests a measured approach to innovation is essential

Directors' oversight responsibilities continue to expand, driving the need for deepening access to relevant experience, skills, and continuing education to support strong governance

Growing risks are motivating boards to enhance fraud prevention, detection, and mitigation oversight practices

Technology Innovation

Emerging Technology Implementation Progress
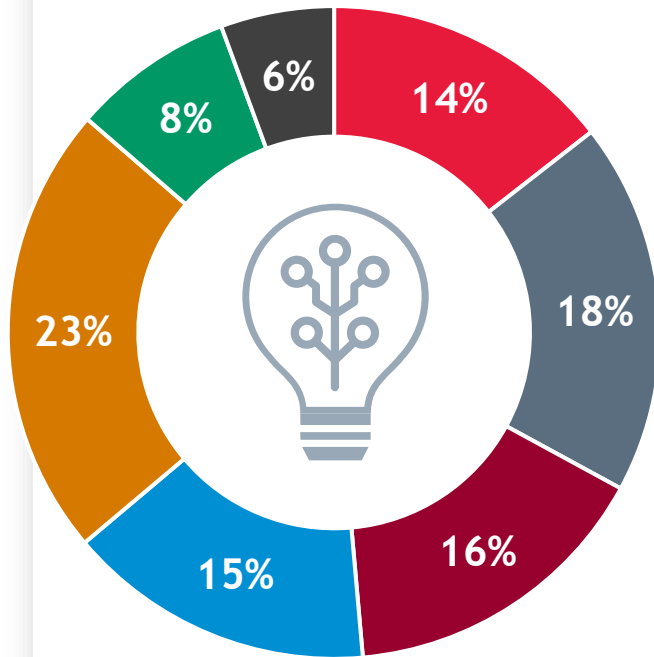
Pie chart values:
- 14% — We are designing a holistic program and building the data infrastructure to support emerging technology-use cases
- 18% — We have formally launched emerging technology initiatives/are actively using them within the business
- 16% — We are actively training and educating employees on using emerging technology within their day-to-day work
- 15% — We are defining our vision for emerging technology in alignment with our goals and values
- 23% — We are exploring what emerging technology can do and learning more about its risks and limitations
- 8% — We are not currently exploring emerging technology but plan to in the next 12 months
- 6% — We are not currently exploring emerging technology and have no immediate plans to do so

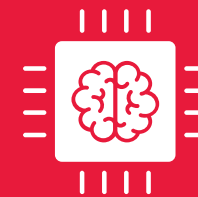**27%** say lagging implementation of emerging technology is their most significant business risk

34% have formally launched emerging technology initiatives and are actively using and training employees on emerging technology

25% say cyber threats and incidents are the most significant risk to their business over the next year

Technology implementation is the most in-demand skillset/experience for directors

Generative AI

Greatest Opportunity for Generative AI

- Customer experience — 16%
- Product/service development — 15%
- Marketing services — 11%
- Back-office processes — 11%
- Finance and accounting — 11%
- Compliance and reporting — 10%
- Safety Monitoring — 10%
- Contract management — 9%
- Legal Services — 7%
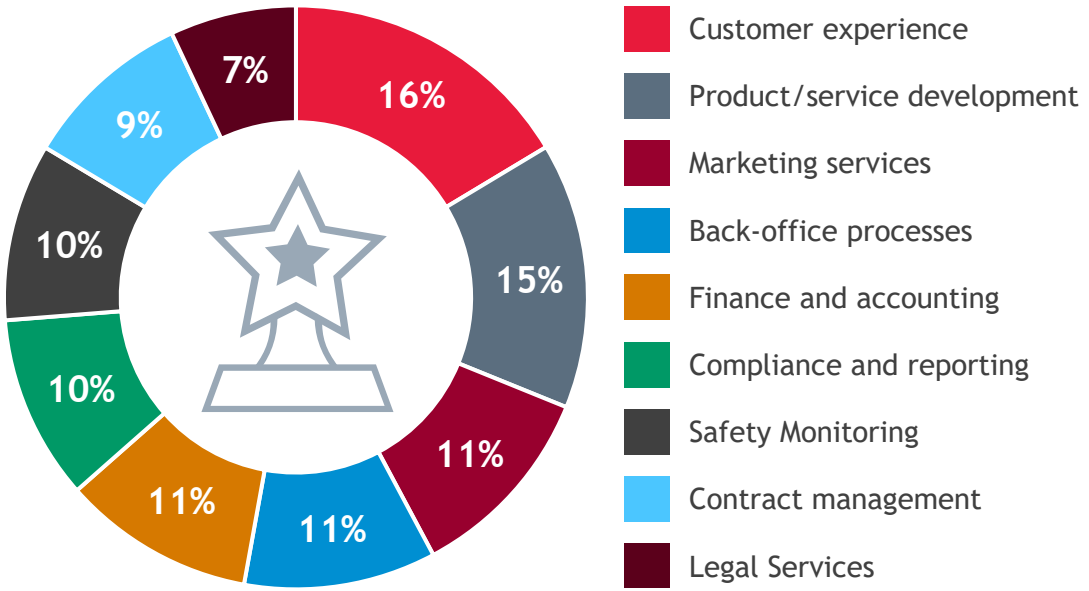
Biggest Risk Posed by Generative AI

- Generation of and/or acting upon incorrect information — 19%
- Data privacy violations — 16%
- Inaccurate/biased inputs and/or outputs — 16%
- Fear of job loss and damage to employee morale/loyalty — 15%
- Increased exposure to cybersecurity threats — 13%
- Lack of talent in house to address generative AI deployment and risks — 11%
- Unethical/irresponsible use — 10%
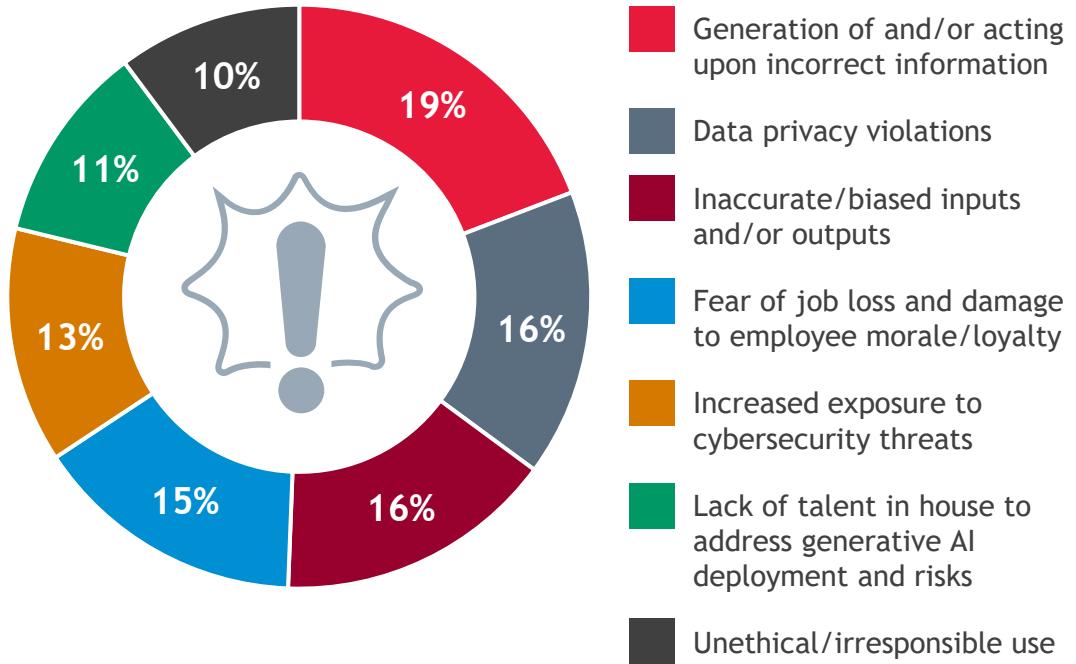
Prioritizing Cybersecurity Improvement

45% — Pursuing an external assessment, such as a systems and organization control (SOC) for cybersecurity report or a maturity/gap assessment, to further aid in preparedness and program maturity

41% — Creating internal processes and improving communication channels to report on cyber risk management and occurrences of cyber incidents

37% — Changing the treatment of cyber risk from an **"IT responsibility"** to a **"company-wide responsibility"**

35% — Determining what company-specific factors may constitute a material cyber incident to enable timely and compliant reporting

33% — Allocating additional resources to expand detection and response capabilities

32% — Benchmarking and monitoring cybersecurity disclosures and cyber breach reporting by competitors

25% — Holding tabletop exercises to enhance response and preparedness for cyber occurrences

Cybersecurity

25% point to **CYBERTHREATS AND INCIDENTS** as the most significant risk to their business over the next year

27% rank **CYBERSECURITY** as a top skillset in demand for directors in 2025

13% believe the greatest risk of generative ai is increased exposure to **CYBERSECURITY THREATS**

41% will increase investment in **CYBERSECURITY, DATA PRIVACY AND GOVERNANCE** over the next year

Board Oversight Efforts

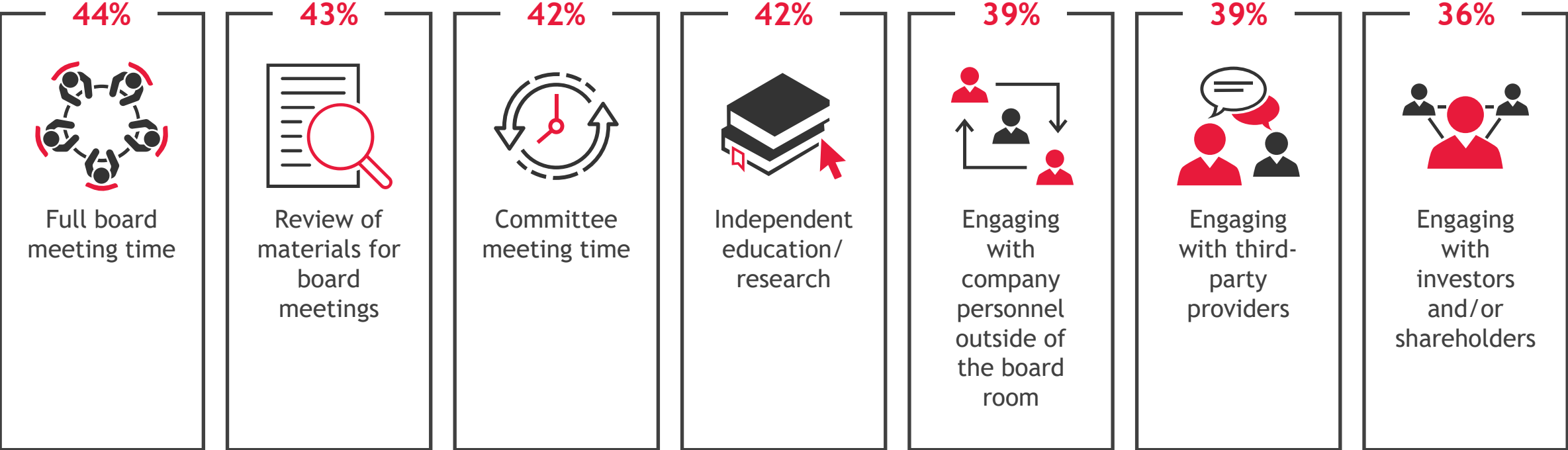**Specific governance activities to oversee execution of corporate objectives and goals**

Activity	Percentage
Enhancing corporate culture	19%
Executive compensation strategy	25%
Raising capital	27%
Innovating the current corporate strategy	30%
Enterprise risk management (ERM)	31%

Specific governance activities to strengthen both management and the board

Activity	Percentage
Board of director refreshment	21%
Providing continuing board education on emerging risk areas	22%
Evaluating committee structure and responsibilities	23%
Succession planning for management	28%

Director Time Allocation

Average Annual Hours Spent by Directors on Board Activities

44%	43%	42%	42%	39%	39%	36%
Full board meeting time	Review of materials for board meetings	Committee meeting time	Independent education/ research	Engaging with company personnel outside of the board room	Engaging with third-party providers	Engaging with investors and/or shareholders

Compliance in an Increasingly Complex Environment

Boards' Actions to Prevent and Detect Fraud

43%	41%	40%	37%	36%	35%	33%
Regular review and discussion of compliance materials in board meetings	Monitor and investigate whistleblower reporting mechanisms	Discuss company-specific factors that may increase the likelihood that fraud may occur	Foster a no-tolerance policy by building a strong culture of compliance	Monitor employee accountability for compliance	Attend regular trainings on compliance policies	Examine past instances of noncompliance

Resources

The BDO Center for Corporate Governance

[BDO's Center for Corporate Governance](#) recognizes board members need easy access to comprehensive information and insights they can rely on. Corporate governance and related risks and opportunities is an evolving landscape encompassing a variety of issues and requires subject matter professionals who engage regularly with stakeholders — including regulators, management, board members and thought leaders — and share information directly with client management teams, the board and its committees. Whether you are new to board service, assuming a new role or a seasoned director who wants to remain up to date, we have you covered.

Our governance team delivers

▶ Thought leadership, practice aids, tools, and newsletters

▶ Technical updates and insights on emerging business issues

▶ [BDO in the Boardroom](#) podcast series for board of directors and those charged with governance

▶ A three-pronged evolving curriculum consisting of upcoming webinars and archived self-studies

▶ Opportunities to engage directly with BDO thought

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The BDO Center for Corporate Governance

BDO commits significant resources to keep our professionals and our clients up to date on current and evolving technical, governance, industry, and reporting developments.

Our clients' time is valuable, as management must meet all compliance requirements while maintaining lean and efficient teams. This is why our culture guides us to view ourselves as trusted advisors, not merely accountants serving compliance needs. By leveraging the shared knowledge of our top professionals across the country and globe, we develop succinct thought leadership and training programs to help clients stay abreast of emerging trends and requirements. Below are examples of our resource centers, knowledge programming and technical researching tools used by BDO to keep our clients and our professionals current:

▶ **BDO Knowledge Webinars, Archives and Self-Study Courses** — BDO continues to develop a broad variety of topical programming via CPE-worthy webinars and self-study courses and non-CPE archives so that participants can build a customized education curriculum to meet their needs. Refer to our Events & Webcasts page.

▶ Technical Research Tools - BDO uses Thomson Reuters Checkpoint Edge ("Checkpoint") as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. Checkpoint is continually updated and considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to Checkpoint, and several other research tools, provide each professional the technical research capability to enable immediate response to client-specific technical issues.

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2024 Quarterly Technical Update
WEBCAST SERIES

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[2024 Board Compensation Trends and Year-End Planning Considerations](#)	November 20, 2024
[Quarterly Technical Update Q4 2024](#)	January 15, 2024
[Q4 2024 IFRS Quarterly Update](#)	January 22, 2025
ARCHIVED	**DATE**
[Q3 2024 IFRS Quarterly Update](#)	October 16, 2024
[Quarterly Technical Update Q3 2024](#)	October 9, 2024
[The Board's Oversight of ERM](#)	September 25, 2024
[Q2 2024 IFRS Quarterly Update](#)	July 17, 2024
[Quarterly Technical Update Q2 2024](#)	July 10, 2024
[The Board's Oversight of Artificial Intelligence](#)	May 22, 2024
[Q1 2024 IFRS Quarterly Update](#)	April 17, 2024
[Quarterly Technical Update Q1 2024](#)	April 10, 2024
[The Board's Oversight of Fraud](#)	March 27, 2024
[2024 Shareholder Meeting Agenda: Setting Expectations for Shareholder Meetings](#)	February 21, 2024

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