CPA Practice Advisor

Corporate boards are giving more attention to their risk oversight responsibilities, but as the risk landscape becomes increasingly complex, directors say they are less comfortable with their understanding of their company's risk appetite, according to PwC's 2014 Annual Corporate Directors Survey.

The evolution of strategy oversight also continues, the report shows, as directors assess whether they receive the right information from management, at the right level of detail, to be effective in their oversight roles.

Looking to some less traditional boardroom topics, three-quarters of directors say they are not currently having substantial discussions about corporate social responsibility issues. However, these discussions are most likely to occur in the boardrooms of mega-cap companies. The survey of 863 public company directors was conducted in the summer of 2014. Of those respondents, 70% serve on the boards

- **Directors are less comfortable with their understanding of the company's risk appetite;** 51% say they understand the company's risk appetite "very well" – over ten percentage points less than two years ago.

- **Over 90% of directors are at least somewhat satisfied with the information they get to fulfill their strategic oversight responsibilities.** However, in some areas there is room for improvement. More than one-quarter of directors are either dissatisfied or do not receive information on competitor strategy and customer satisfaction research.

- **Over 70% of directors say they made changes to their approach to fraud risk over the last 12 months.** The most common actions were holding board discussions of "tone at the top," increasing the amount of time spent on board discussions of risks embedded in compensation plans and having board members interact with members of management below the executive level. Over the last three years, there has been a significant increase in the percentage of directors who say they have had interactions with members of management below the executive level: 50% said so this year – compared to 31% in 2012.

- **While a number of organizations have identified issues like sustainability and climate change as societal imperatives** about three-quarters of directors say they have not had substantial discussions about human rights, climate change, carbon emissions and resource scarcity.

- **Over the last three years, directors have become more comfortable with the allocation of specific responsibility for overseeing major risks between the board and its committees.** In 2014, 84% said there was a clear allocation of responsibility, up from to 80% in 2013 and 63% in 2012.

More information on this year's survey findings specific to directors' views of

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