



R. McConnell Group PLLC

The Board Governance Index

Compliance and Legal Risk

The officer inside the company responsible for cybersecurity, compliance and data privacy, and the statutes identified in the risk factors. Read from annual reports and proxy statements filed with the SEC

2,514

annual report sections read

2,676

proxy statements read

14,558

risk factors identifying a statute

1,125

distinct statutes identified

1,005 annual reports identify the chief information security officer

The role identified in Item 1C of the annual report as responsible for cybersecurity

2,514

Annual report sections read

2,247

Identify a role responsible for the work

2,062

Identify a single officer

185

Identify a management committee

The role identified	Companies
Chief information security officer	1,005
Chief information officer	401
A management committee	185
Chief technology officer	92
Chief security officer	60
Chief risk officer	15
Another role	489
All companies with a role identified	2,247

791 proxy statements identify a person responsible for compliance

The title the proxy gives that person, and whether that person also holds the legal title

2,676

Proxy statements read

791

Identify a person responsible for compliance

675

Whose title is compliance officer

267

Who also holds the general counsel title

The title in the proxy	Companies	Also holds the legal title
A compliance officer	675	228
The general counsel or chief legal officer	43	29
Another title	73	10
All companies with a person identified	791	267

341 proxy statements disclose to whom the compliance officer reports

Of the 791 that identify a compliance officer, 341 disclose a reporting line and 450 disclose none

791

Identify a compliance officer

341

Disclose to whom that officer reports

198

Report to the board or a board committee

89

Report to the general counsel or the chief executive

The reporting line disclosed	Companies
The audit committee	152
The full board	37
The nominating and governance committee	9
To the board or a board committee	198
The general counsel or chief legal officer	58
The chief executive	31
To the general counsel or the chief executive	89
Another reporting line	54
All reporting lines disclosed	341

Reporting to the audit committee, by revenue

By revenue	Companies	Audit
Under \$500M	170	14 8%
\$500M–2B	180	28 16%
\$2–10B	237	53 22%
\$10–50B	140	39 28%
\$50B and above	52	17 33%

156 of 783 compliance officers are named executive officers

Proxy statements that identify the individual holding the compliance role

156

Compliance officers who are named executive officers

50%

Of those who also hold the legal title

5%

Of those with a compliance title only

131

Of the 156 also hold the legal title

The person identified as compliance officer	Companies	Named executive officers	Share
Also holds the general counsel or legal title	264	131	50%
Compliance title only	519	25	5%
All	783	156	20%

By revenue	Companies	Named officers
Under \$500M	165	36 22%
\$500M–2B	178	54 30%
\$2–10B	237	44 19%
\$10–50B	140	15 11%
\$50B and above	51	4 8%

A named executive officer is one of the officers whose pay a company must disclose in its proxy statement: the chief executive, the chief financial officer, the three other highest paid executive officers, and up to two more who would have been among them but were not serving at the close of the year. 17 C.F.R. § 229.402(a)(3)

1,022 annual reports identify the Foreign Corrupt Practices Act

Statutes identified in the risk factors of the annual report

Statute	Companies	Statute	Companies
Foreign Corrupt Practices Act	1,022	Tax Cuts and Jobs Act	363
Sarbanes-Oxley Act	884	Affordable Care Act	314
Internal Revenue Code	743	Health Insurance Portability and Accountability Act	313
Delaware General Corporation Law	688	OECD Pillar Two global minimum tax rules	244
General Data Protection Regulation	666	False Claims Act	243
Inflation Reduction Act	566	California Privacy Rights Act	241
Dodd-Frank Act	527	Anti-Kickback Statute	215
California Consumer Privacy Act	526	Export Administration Regulations	176
Internal Revenue Code Section 382	501	Jumpstart Our Business Startups Act	172
Delaware General Corporation Law Section 203	492	Federal Food, Drug, and Cosmetic Act	165
UK Bribery Act	438	OFAC sanctions regulations	152

1,397 annual reports identify a tax statute, 1,322 a securities statute

Statutes identified in the risk factors, by subject and by jurisdiction

By subject

Subject	Companies	Statutes identified
Tax	1,397	118
Securities	1,322	84
Anti-corruption	1,024	3
Corporate law	1,004	107
Privacy	969	44
Healthcare	653	151
Environment	618	126
Trade and sanctions	405	37
Employment	332	52
Antitrust	59	16

By jurisdiction

Jurisdiction	Companies	Statutes
United States, federal	2,343	668
United States, state	1,369	173
European Union	862	77
United Kingdom	490	27
More than one	143	17

Fewer risks go without a committee where a compliance officer is identified

Share of the risks disclosed in the annual report with no board committee assigned in the proxy: 37.7% against 47.1%

758

37.7%

1,790

47.1%

Proxy statements identifying a compliance officer

Of their disclosed risks have no committee assigned

Proxy statements identifying none

Of theirs have no committee assigned

The same comparison inside each revenue band

By revenue	Officer identified	None identified
Under \$500M	52.7% (161)	55.7% (659)
\$500M–2B	41% (173)	46.1% (479)
\$2–10B	32.7% (230)	39.6% (412)
\$10–50B	28.6% (136)	32.4% (150)
\$50B and above	24.7% (47)	32.6% (23)
No revenue on file	48.2% (11)	59.5% (67)

The same two groups, on all 2,676 proxies read

What else the filings show	Officer	None
A board committee for AI	19%	10%
A board committee for cybersecurity	94%	85%
A published committee charter	37%	30%
The Foreign Corrupt Practices Act	41%	37%

The base is the 2,548 companies carrying both a risk factor read and a proxy oversight read: 758 of the 791 whose proxy identifies an officer, and 1,790 of the 1,885 whose proxy identifies none. Size accounts for about half of the gap. The first group is larger, 24.1% of it above \$10B against 9.7% of the second, and the share with no committee assigned falls as revenue rises in the first group at every step and in the second up to \$10–50B. Comparing companies of the same size and putting the bands back together, the two figures are 40.6% and 45.4%, a gap of 4.8 points rather than 9.4. In every revenue band the share is higher where the proxy identifies no officer.

Fewer unassigned risks in 7 of the 8 categories where an officer is identified

The two groups disclose the same risks, ESG apart. The share of those disclosures with no committee assigned is where they differ

The risk	Where the risk is disclosed		Of those, no committee assigned		Gap, like for like
	Officer identified	None identified	Officer identified	None identified	
Enterprise risk	99%	99%	<1%	<1%	+0.4
Human capital	87%	87%	32%	53%	+11.7
Cybersecurity	86%	86%	6%	13%	+4.3
Geopolitical	74%	73%	96%	98%	+1.9
Climate and environment	73%	74%	59%	74%	+5.5
ESG	54%	43%	18%	31%	+6.9
Data privacy	37%	36%	61%	70%	+4.4
Artificial intelligence	32%	30%	76%	85%	+3.7

Read on the 758 of 791 companies whose proxy identifies a compliance officer and the 1,790 of 1,885 whose proxy does not. The last column compares like-sized companies only. Enterprise risk is the exception, under 1% in both groups

The same gap appears in 22 of 25 industries, 18 of 25 compared like for like

Share of disclosed risks with no board committee assigned, in every industry with at least ten companies on each side

Industry	Officer identified	None identified	Gap, like for like
Healthcare Services	35.4%	52.3%	+10.0
Autos & Components	26.8%	43.5%	+9.3
Insurance	26.1%	39.6%	+11.5
Software & IT Services	38.4%	50.3%	+9.8
Wholesale & Distribution	29.5%	41.4%	+12.0
Retail & Consumer Services	32.8%	44.6%	+10.5
Industrials & Machinery	37.0%	48.0%	+9.2
Banks	45.3%	55.3%	+7.2
Pharma & Biotech	50.1%	59.8%	+3.6
Medical Devices	43.0%	52.0%	+4.8
Aerospace & Defense	38.8%	47.5%	-5.6
Utilities	23.2%	31.6%	+1.6
Business & Prof. Services	35.1%	43.5%	+6.1

Industry	Officer identified	None identified	Gap, like for like
Semiconductors & Hardware	37.3%	45.5%	+8.2
Chemicals	32.8%	40.4%	+4.0
Telecom & Media	39.4%	46.0%	-5.9
Transportation & Logistics	34.4%	40.0%	+0.7
Food, Beverage & Tobacco	31.6%	36.6%	+0.5
Mining & Metals	35.6%	40.4%	+3.7
Consumer Goods	38.6%	43.1%	+5.7
Real Estate & REITs	38.1%	41.2%	-1.0
Construction & Materials	36.8%	38.9%	-0.9
Investment & Asset Mgmt	44.1%	44.1%	-1.0
Oil, Gas & Coal	35.6%	35.5%	-0.4
Other Financials	46.0%	43.3%	-2.5

981 annual reports identify export controls, 1,312 sanctions

Read from the risk factors of the annual report. 1,868 of the 2,576 annual reports with classified risk factors identify at least one trade measure

1,868

Annual reports identifying a trade measure

6,780

Trade measures identified across all risk factors

1,577

Identify tariffs and duties

981

Identify export controls

The measure identified	Companies	Risk factors
Tariffs and duties	1,577	2,740
Sanctions	1,312	2,138
Export controls	981	1,586
Customs and forced labour	141	166
Investment screening	56	64
Another measure	81	86

Most annual reports identify more than one measure. 466 report export sales as a risk, and 429 of those identify a trade measure as well

234 annual reports disclose export licences, 786 only that the rules exist

What the risk factor states about the trade measure it identifies

234

Disclose export licences held or needed

151

Disclose screening of customers against sanctions lists

791

Disclose exposure through a supplier

3,972

Trade measures stated only as rules that exist

What the risk factor states	Export controls	Sanctions	Tariffs and duties
Licences held or needed	234	27	6
Subject to a restriction	124	193	82
Access to a market lost or limited	62	119	162
Customers screened against sanctions lists	30	151	1
Exposure through a supplier	71	161	791
Only that the rules exist	786	1,071	1,105

3,972 of the 6,780 trade measures identified are stated only as rules that exist and may change

Export controls: 91% of communications equipment, 5% of banks

Share of each industry whose risk factors identify export controls and sanctions, suppressed where fewer than ten companies

Industry	Companies	Export controls	Sanctions
Communications Equipment	23	91%	78%
Semiconductors & Hardware	110	85%	75%
Aerospace & Defense	33	73%	79%
Medical Devices	102	73%	72%
Industrials & Machinery	146	71%	64%
Software & IT Services	195	71%	77%
Pharma & Biotech	285	60%	68%
Chemicals	61	56%	74%
Food, Beverage & Tobacco	48	46%	60%
Wholesale & Distribution	58	38%	60%
Autos & Components	55	36%	51%
Consumer Goods	52	35%	77%
Mining & Metals	44	34%	36%

Industry	Companies	Export controls	Sanctions
Telecom & Media	59	31%	42%
Transportation & Logistics	60	30%	43%
Investment & Asset Mgmt	61	30%	56%
Business & Prof. Services	127	28%	52%
Construction & Materials	48	25%	38%
Healthcare Services	52	23%	35%
Oil, Gas & Coal	75	20%	52%
Retail & Consumer Services	133	16%	35%
Insurance	98	n<10	23%
Utilities	87	n<10	15%
Banks	271	5%	35%
Real Estate & REITs	171	n<10	12%
Other Financials	22	n<10	n<10

234 annual reports disclose export licences held or needed: 81 Under \$500M, 66 \$500M–2B, 67 \$2–10B, 14 \$10–50B, and fewer than ten at \$50B and above

China appears in the risk factors of 862 companies, Russia 619, Mexico 421

Countries appearing in the same risk factor as a trade measure, across 1,436 companies. 210 countries in all, 38 of them reaching ten companies

Country	Companies
United States	892
China	862
Russia	619
Ukraine	559
Canada	465
Mexico	421
Israel	165
United Kingdom	163
Taiwan	138
Belarus	108
India	97
Iran	63

Country	Companies
Brazil	48
Japan	46
Vietnam	44
Australia	44
Germany	41
South Korea	37
Hong Kong	35
Syria	32
Malaysia	29
France	28
North Korea	25
Cuba	25

Trade measures in a single risk factor

Measures in a single risk factor	Risk factors	Measures
One	2,314	2,314
Two	1,252	2,504
Three	600	1,800
Four	38	152
Five	2	10
All	4,206	6,780