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NACD Directorship Certification



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Question: 1

In confidential peer feedback, three directors rated a fellow board member “needs improvement” on collaboration because he routinely uses sarcastic humor to challenge management presentations. Select all appropriate uses of peer evaluation data.

- A. The lead director delivering the feedback privately with specific examples and expected behavior changes
- B. Including anonymized themes in the full board’s improvement plan without identifying the individual
- C. Requiring the director to work with an executive coach specializing in boardroom communication styles
- D. Using the feedback as one data point in the renomination decision for that director

Answer: A, B, C, D

Explanation:

Modern peer evaluations are designed to drive behavioral change while preserving trust. Private delivery with examples, thematic disclosure, coached remediation, and linkage to renomination are all standard among Vanguard and BlackRock governance principles in 2026.

Question: 2

During annual compliance review, directors must code a dashboard for real-time regulatory status by department. What essential function must the code contain?

- A. Limit dashboard access to compliance staff.
- B. Aggregate annual compliance status only.
- C. Department-tagged compliance alerts, accessible instantly by the board.
- D. Schedule biannual department compliance updates.

Answer: C

Explanation:

Department-tagged, instantly accessible alerts provide granular oversight across the organization, enabling targeted and effective intervention.

Question: 3

A company's D&O insurance policy is being updated in 2026 to address emerging risks, including environmental, social, and governance (ESG) litigation. The board seeks to understand the scope of

coverage for ESG-related claims. Which of the following claims would likely be covered under Side C of the D&O policy?

- A. A shareholder lawsuit against directors for failing to oversee ESG compliance
- B. A securities class action against the company for misrepresenting ESG performance
- C. A regulatory fine against directors for non-indemnifiable ESG violations
- D. A derivative lawsuit against the company for losses due to ESG mismanagement

Answer: B

Explanation:

Side C of a D&O insurance policy, also known as entity coverage, typically covers the company itself for securities-related claims, such as those arising from misstatements or omissions in public disclosures. A securities class action against the company for misrepresenting ESG performance falls under Side C, as it involves the company's liability for securities violations. Shareholder lawsuits against directors or derivative lawsuits targeting individual director oversight are typically covered under Side A or Side B, depending on indemnification. Regulatory fines against directors for non-indemnifiable violations fall under Side A, as they involve personal liability not covered by the company.

Question: 4

A cryptocurrency exchange listed on NASDAQ receives concurrent 2026 actions from SEC (Division of Examinations sweep on proof-of-reserves), CFTC (manipulation inquiry), and FinCEN (AML program MOU). Which regulatory bodies and processes must the board monitor?

- A. SEC proof-of-reserves attestation expectations under 2024 staff guidance
- B. CFTC position limits and wash-sale enforcement in crypto derivatives
- C. FinCEN beneficial ownership reporting under Corporate Transparency Act for subsidiaries
- D. Potential NYDFS BitLicense revocation proceeding for custody violations
- E. International Organization of Securities Commissions (IOSCO) principles applicability

Answer: A, B, C, D

Explanation:

SEC attestation expectations, CFTC market abuse rules, CTA reporting, and NYDFS licensing are directly applicable to U.S.-listed crypto entities. IOSCO principles are non-binding.

Question: 5

You are assessing a fellow director's performance on a media company board. The director provides valuable marketing insights but misses half of the meetings. The NACD recommends objective peer reviews. Which steps should you take to assess this director's performance?

- A. Review attendance records through the governance committee
- B. Focus only on the director's marketing contributions
- C. Collect peer feedback on the director's overall engagement

D. Ignore absenteeism, as marketing expertise is critical

Answer: A, C

Explanation:

Objective assessment considers all contributions. Reviewing attendance records provides data on engagement. Collecting peer feedback ensures a holistic evaluation. Focusing only on marketing or ignoring absenteeism overlooks the director's overall effectiveness.

Question: 6

The chief diversity officer reports that women now represent 52% of VP-and-above roles. Select all indicators that the DE&I program may be ineffective or unsustainable.

- A. Female promotion rates from director to VP declined 31% in the same period
- B. 89% of new female VPs were external hires rather than internal promotions
- C. Intersectional representation (women of color) at VP+ actually declined 11%
- D. Retention rate of women hired externally at VP level is 38% after 18 months

Answer: A, B, C, D

Explanation:

All four metrics signal lack of genuine pipeline development, external hire dependency, intersectional regression, and integration failure—classic signs of performative rather than substantive progress in 2026 assessments.

Question: 7

You are a director at a renewable energy company where the board is conducting a comprehensive performance evaluation. The company is under pressure to meet aggressive carbon reduction targets, but recent evaluations show that the board struggles to align its oversight with these goals. The evaluation process involves analyzing board meeting effectiveness, committee performance, and strategic alignment, as shown in Exhibit 1 below. According to NACD principles, which steps should the board prioritize to improve its performance?

Exhibit 1: Board Evaluation Metrics

Board meeting attendance: 85% average

Strategic discussions on carbon reduction: 20% of meeting time

Committee reports addressing ESG goals: 30% of reports

- A. Increase the time allocated to strategic discussions on carbon reduction during board meetings, targeting at least 40% of meeting time.
- B. Maintain current meeting structures, as attendance is sufficiently high to ensure effective oversight.
- C. Require committees to integrate ESG goals into at least 60% of their reports to enhance accountability.
- D. Rely on management to set carbon reduction priorities without increasing board-level strategic discussions.

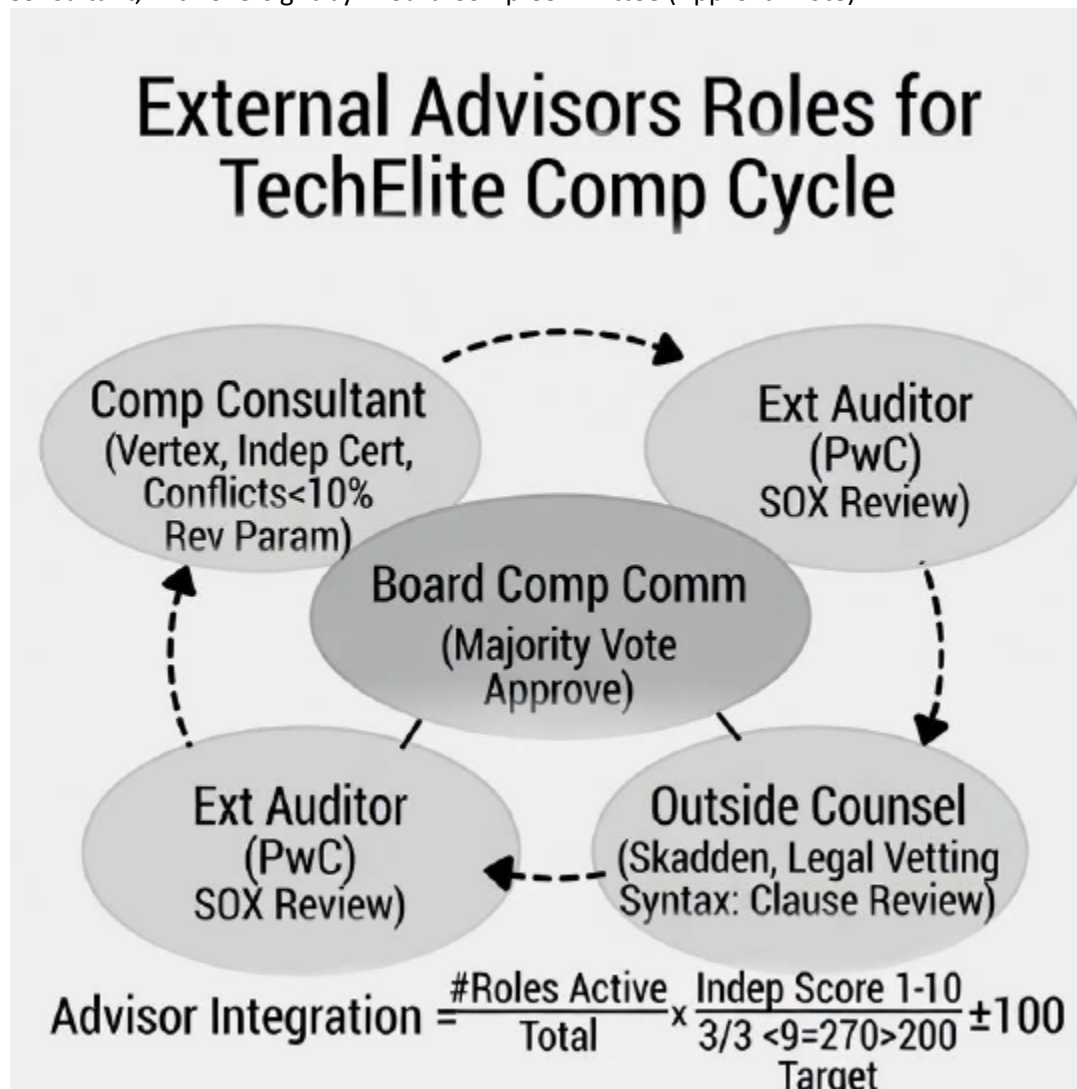
Answer: A, C

Explanation:

Improving board performance requires enhancing strategic focus and accountability. Increasing time for carbon reduction discussions ensures the board prioritizes critical goals, addressing the low 20% metric. Requiring committees to integrate ESG goals into 60% of reports strengthens oversight and accountability, tackling the 30% baseline. High attendance alone does not guarantee effective oversight, and relying solely on management diminishes the board's strategic role, contrary to NACD principles.

Question: 8

Vertex Advisors consults on compensation for TechElite board. Roles via this role diagram, a cycle: "Compensation Consultant (Vertex: Independence Cert, Param: No Conflicts >10% Revenue)" → "External Auditor (PwC: SOX Review)" → "Outside Counsel (Skadden: Legal Vetting)" → back to Consultant, with oversight by "Board Comp Committee (Approval Vote)".



Per NACD's 2026 knowledge of advisor roles (e.g., independence >90%), which cycle enhancement best optimizes integration at 270 score, including parameters for counsel syntax review (e.g., 'IF Equity Grant >5% THEN Tax Implication Calc') and auditor rotation (every 5 years)?

- A. Eliminate consultant, using internal HR.
- B. Make approvals unanimous.
- C. Enhance Counsel with syntax ('IF Grant>5% THEN Calc Tax via IRC 83(b)'), Auditor rotation (5-year cycle), annual indep audits; update formula + (Enhancement Params Met % ×20), target >300.
- D. Ignore rotation.

Answer: C

Explanation:

TechElite's 270 score indicates strong roles, but NACD 2026 stresses syntax and rotation for bias-free advice (e.g., DOL fiduciary rules). Counsel enhancement ('IF Equity>5% THEN IRC 83(b) Election Calc: Fair Market Value - Amount Paid') ensures vetted grants, preventing IRS issues. 5-year auditor rotation (per SOX 207) maintains objectivity (indep score 9→10). Annual indep audits verify <10% conflicts. Formula update (e.g., 100% met ×20= +20, total 290>300) tracks. Elimination risks bias; unanimous slows; ignoring rotation stale, per NACD best practices.

Question: 9

You are a board member of PharmaCorp, a pharmaceutical company considering an acquisition of BioGenix, a biotech firm with a promising drug pipeline. The due diligence report projects a 25% increase in combined R&D productivity but flags potential cultural clashes due to differing innovation philosophies. Using NACD Directorship Certification principles for assessing M&A synergy, which of the following should you prioritize?

- A. Develop a cultural integration plan to align innovation approaches
- B. Quantify R&D productivity gains through patent output projections
- C. Assess BioGenix's regulatory compliance history
- D. Approve the acquisition based on projected R&D gains alone

Answer: A, B, C

Explanation:

Cultural integration is critical to realize R&D synergies, as misaligned innovation philosophies can hinder collaboration. Quantifying productivity gains through patent output provides measurable synergy metrics. Assessing regulatory compliance history mitigates risks that could derail the acquisition. Approving without addressing these factors overlooks critical synergy drivers.

Question: 10

Your self-assessment shows you have never disagreed with a board recommendation in five years. Select all objective conclusions.

- A. You may be exhibiting excessive deference or groupthink
- B. The board possibly lacks sufficient debate and challenge
- C. You should intentionally prepare at least one contrarian view for major decisions
- D. Complete consensus can be a sign of highly effective board dynamics

Answer: A, B, C

Explanation:

Perpetual agreement is a red flag for independent thinking.

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