



# Back to School

**H**aving served on half a dozen boards of public companies, **Florida East Coast Industries Inc. (FLA)** Chairman, President and CEO Robert Anestis says he's long recognized the importance of director education. So when he had the opportunity to attend the Duke University's Directors' Education Institute last fall, he says he didn't hesitate. "I've always found it helpful to make sure I'm aware of best practices and not being insular in conducting my business," he says. "But since the passing of Sarbanes-Oxley, it's become critical. There's a blizzard of materials out there, and this type of forum helps you to get to the substance, to get a sense of what really matters."



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Also attending were **HCA Inc. (HCA)** Chairman and CEO Jack O. Bovender Jr., along with HCA's corporate secretary and the nominating and governance committee chairman. "The timing and choice of presenters couldn't have been better," Bovender says. "It gave us the context for understanding the issues, even as they were changing."

## INTERACTION

Another two-day Duke program was held in the spring. So far, seven of **Union Planters Corp.'s (UPC)** 13 directors have attended, including audit committee chair Parnell Lewis, who, after attending in the fall, recommended it to the entire board. "Directors have a responsibility to make sure they're up to date with best practices, and I wanted to be assured that Union Planters is on top of the corporate governance curve," he says.

and Business. "If it's the right type of program, he or she will not only hear from opinion leaders, but will have an opportunity to interact informally with others in the same position."

"Interacting with other directors who had already interpreted the regulations and dealt with them in certain situations really brought life to the issues and added value to my understanding of how they're going to apply," says **Beazer Homes USA Inc. (BZH)** President and CEO Ian J. McCarthy, who attended the Duke program with Non-Executive Chairman Brian C. Beazer. "You need a forum like the Directors' Institute to get all of the parties together—the oversight bodies and the business world—to look at the interpretations. That insight couldn't have been gained from just reading the regulations."

"You not only get exposure to the materials, but an opportunity to make contacts whom you can explore a particular issue with later," Bovender adds.

## NYSE PROGRAM

This year the NYSE introduced its own Directors' Institute on Corporate Governance, a continuing-education forum for current and newly elected directors. The full-day program will pilot in four cities in 2003: New York, Chicago, Houston and San Francisco.

"In speaking with listed-company directors, we heard their desire to learn more about the new rules and constantly changing field of corporate governance," says NYSE Chairman and CEO Dick Grasso. "We hope to provide a forum where directors can be briefed on and discuss the current issues. By giving directors the tools to best serve their companies, we hope to benefit America's 85 million shareholders."

The institute, which is open to current and newly elected directors of public companies, will consist of guest lectures, breakout sessions and panel discussions. The first program will be held in New York City on May 28-29 and is being offered jointly with NYU's Center for Law and Business. "The faculty will consist of senior directors of public companies and high-ranking officials from the SEC and the judiciary," says Allen, who helped organize it. Topics will include "Evolving Standards for Corporate Directors," "Service on the New, More Demanding Audit Committee" and "Director Liability Concerns." Guest speakers include SEC Commissioner Harvey Goldschmid, **General Electric Co. (GE)** Chairman and CEO Jeff Immelt, and former Fed Chairman Paul Volcker.

"A lot comes down to the quality of panelists and keynote speakers, and attracting the right people to those forums," says McCarthy. "If



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report also calls for greater board independence and shareholder involvement, requiring, for example, the majority of a board to be independent; audit, nominating and compensation committees to be composed entirely of independent directors; and shareholders to approve stock-option plans.

## PARTNERS IN EDUCATION

In addition to Duke, the Exchange has partnerships with several other universities, offering marketing support and in some cases NYSE Foundation grants of \$150,000. It has extended grants to Southern Methodist University, whose Dedman School of Law held its first Corporate Directors' Institute in March, and Vanderbilt University, whose School of Law and Owen Graduate School of Management will hold its Directors' Institute on June 9-10.

The foundation also supports the Directors' Consortium, a joint program of the University of Pennsylvania's Wharton School, Stanford Law School and the University of Chicago Graduate School of Business, and provides marketing support to universities, including Harvard, which offers a 2½-day seminar.

While not a director, Union Planters' General Auditor and Risk Manager James Gordon attended the Duke program at his CEO's request. "It's my job to understand the substance of the new regulations so that we avoid the 'check-the-box' mentality in which you simply check off that we've met the legal requirements," Gordon explains. "Now, when the directors return with suggestions on how to strengthen our corporate governance, I understand them and can make sure they're fully implemented and add value."

that's done, then we would fully support it. It's the direction of the future."

The NYSE Directors' Institute is an outgrowth of the NYSE Corporate Accountability and Listing Standards (CALs) committee report, which was submitted to the SEC in August 2002. Among its recommendations aimed at strengthening governance practices of listed companies, the CALs report recommends that the Exchange offer continuing-education forums around the U.S. and enhance its support of continuing education through the NYSE Foundation, a private charitable foundation. The

Lewis and Gordon say they both came away with a sense that "we're doing the right things." Now, adds Gordon, "we're looking at our charters, all our governance processes, and fine-tuning them so that best practices we've been doing for years are formalized."

## WHAT IT TAKES

For Bovender, attending the Duke program "broadened my perspective about what makes a good director. One thing I am trying to do personally is to better understand how to look at HCA as an independent director should. I'm so immersed in the day-to-day that I may not fully appreciate how an independent director needs to see it. The program has helped me to walk the balance between providing information without overloading outside directors with issues that are really management's responsibility, and to make sure they have the right access to perform their oversight role appropriately."

So what does it take to be a good director these days? "First it takes intelligence and relevant business experience," says Allen. "Equally important are strong character, courage, collegiality and dedication. Finally, it requires an understanding of the legal responsibilities implied by this form of public service."

Anestis agrees: "He or she needs experience, a balanced perspective and self-confidence so directors can feel comfortable defending something they feel strongly about." Ultimately, though, he says they must understand that "a board's primary responsibility is to answer to and look out for the shareholders."

Even beyond shareholders, says Bovender, directors are "the independent representatives of our communities. Their responsibility, as well as mine as CEO, is to those stakeholders."

Both McCarthy and Bovender are recommending that their board directors take part in such forums, and Anestis is suggesting it to the CFO and chairs of the compensation and audit committees. "It's not mandatory, but they indeed welcome the opportunity," Anestis says. "This is something they feel is important." □

For more information on the NYSE Directors' Institute and other director-education programs, visit [www.nyse.com/director](http://www.nyse.com/director).



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BEAZER HOMES USA INC.

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COURTESY OF HCA

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