

NYSE GOVERNANCE SERVICES
CORPORATE BOARD MEMBER®

WHAT DIRECTORS THINK 2014 SURVEY

in association with

SpencerStuart

WHAT DIRECTORS THINK

2014 Survey

Contents

3 Objective/Methodology

4 Executive Summary/Key Findings

5 Survey Results

6 *Board Composition*

- Q1. Ranking of attributes for next new member
- Q2. Sources of new board members
- Q3. Expected actions to promote diversity

8 *Board Effectiveness, Evaluation and Education*

- Q4. Board effectiveness dimensions
- Q5. Appropriate actions when majority support for re-election is denied
- Q6. Governance guidelines features
- Q7. Importance of board refreshment
- Q8. Effective tools for board refreshment
- Q9. Effect of potential for a 30-year board tenure
- Q10. Aspects of board education rated
- Q11. Measure of board education/reimbursement policies

13 *Risk Oversight and Strategy*

- Q12. Measuring strategic objectives with risk alignment
- Q13. Aspects that improve risk oversight
- Q14. Concern over corporate political contributions

- Q15. Cyber/IT risk oversight confidence
- Q16. Most relevant board agenda topics

17 *Compensation*

- Q17. Comparison of 2013 with 2012 say on pay vote experience
- Q18. Measure of say on pay worth after three years
- Q19. SEC disclosure of CEO/median pay ratio effects
- Q20. Situations that warrant changes to CEO pay

20 *CEO Succession*

- Q21. Rating CEO succession plan in event of sudden departure
- Q22. Opinion on past CEO serving as chairman of the board
- Q23. Frequency of CEO succession plan review
- Q24. Internal candidates assessment policies
- Q25. Effectiveness of internal benchmarking
- Q26. Opinions on splitting the CEO/chairman role

25 *Demographics*

- Q27. Titles held
- Q28. Committee memberships
- Q29. Board tenure

27 **Contact for information**

WHAT DIRECTORS THINK

A 2014 Survey

Objective/Methodology

Objective. NYSE Governance Services, Corporate Board Member and Spencer Stuart collaborated to survey the opinions of directors who serve on the boards of U.S.-based publicly traded companies. This wide-ranging survey, currently in its 11th year, analyzes directors' opinions on topics including board effectiveness, composition, education, governance policies, risk oversight, succession planning, compensation, and compliance oversight.

Methodology. The survey was sent electronically to a survey pool of directors from the NYSE Governance Services, Corporate Board Member database. The survey launched October 15, 2013 and closed November 15, 2013. A total of 592 responses were collected.

EXECUTIVE COMPENSATION

A 2013 Survey of Compensation Committee Members

Key Findings

1. It is important to refresh the board periodically. The majority of directors feel it is important to employ processes to refresh the board's ranks periodically, with 51% rating it as important and another 16% as critically important. The top five attributes sought for today's boards are financial expertise, industry expertise, CEO experience, information technology, and global experience.

2. Evaluation tools are crucial for a well-stocked board. Directors appear to overwhelmingly agree that board assessment and evaluations are the primary tools to encourage board refreshment with 85% citing them as effective tools. Another 49% identified having an age ceiling policy and 25% referenced term limits as effective board turnover tools.

3. Increased emphasis on understanding of IT/cyber risk. Experience in overseeing the growing threat of cybersecurity risk is one of the key attributes boards will look for when appointing their next new corporate director. In addition, IT strategy appeared among the top five items directors would choose if setting the agenda for their next meeting.

4. Boards recognize they need a better grasp on risk. Thirty-nine percent (39%) of directors believe they could improve their ability to oversee risk if they had a better understanding of the risk oversight process itself. In addition, 44% say they could improve risk oversight if reports had more key highlights and fewer details, and 33% believe having a separate risk committee would improve risk oversight effectiveness.

5. The more things change, the more they stay the same. Year after year, directors confirm that having more time for strategic planning is the number-one item on their wish list. This year, 81% of directors checked strategic planning on their list of preferred agenda topics,

making it the most popular response by far. Behind it ranked M&A (61%) and CEO succession (47%).

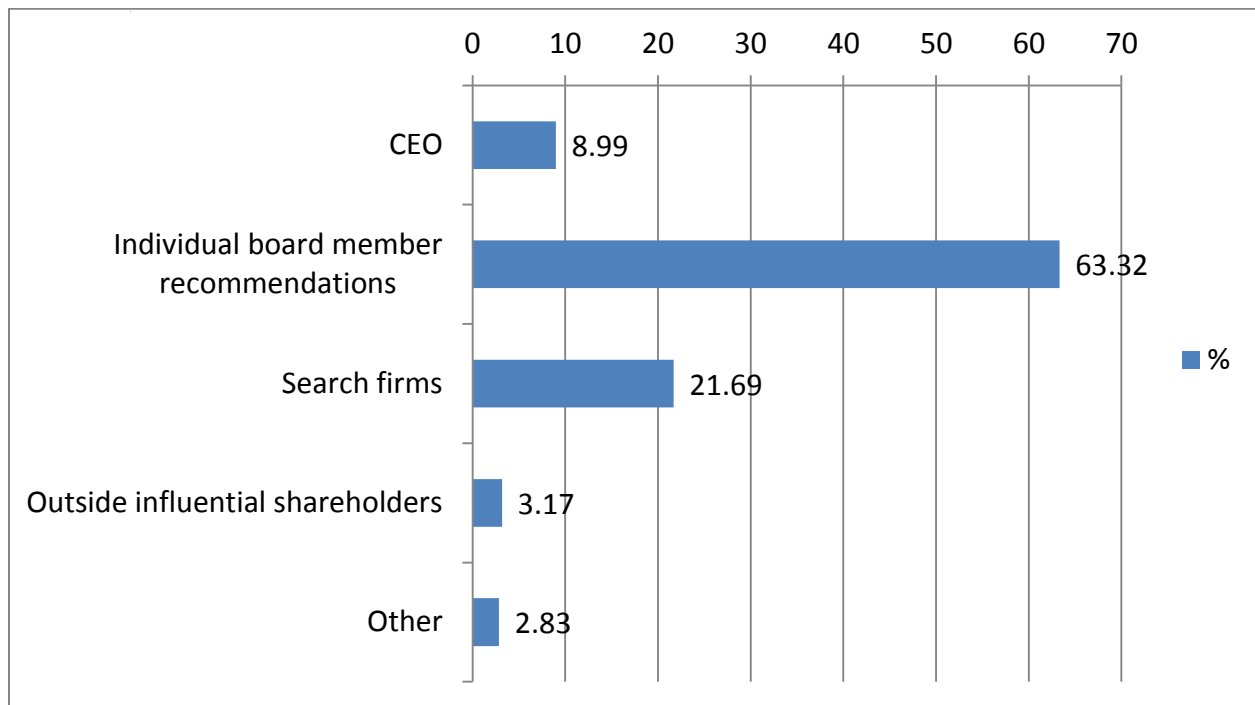
SURVEY RESULTS

BOARD COMPOSITION

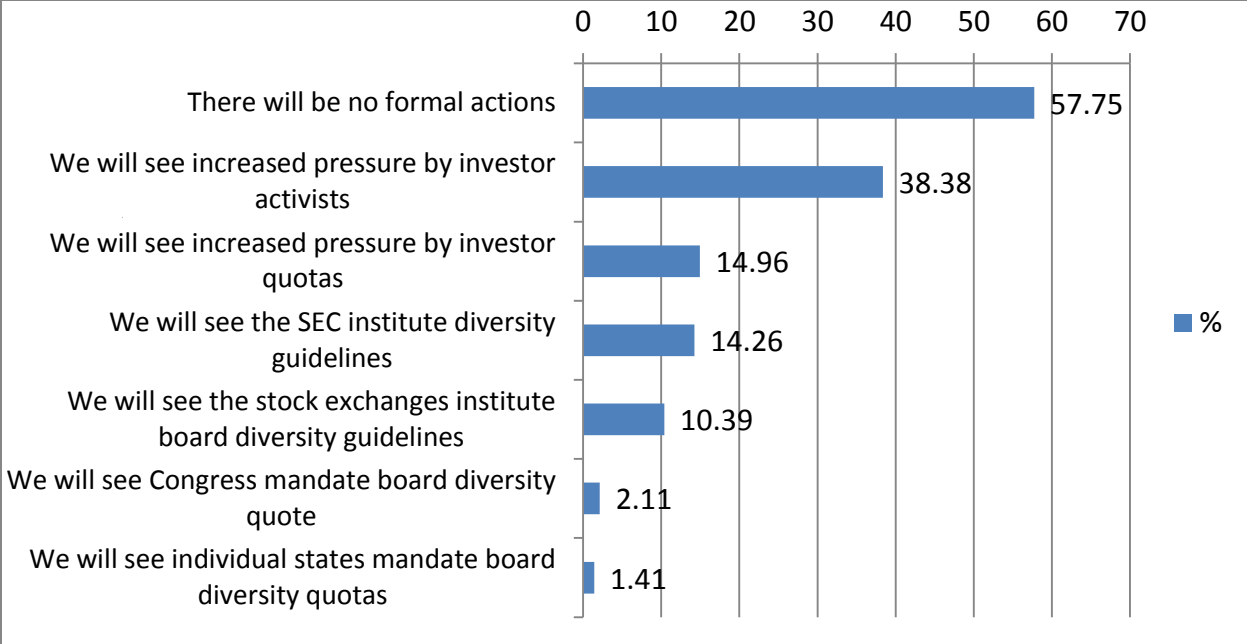
Q1. How important are the following attributes to the selection of your board's next new member?

	Critical (%)	Important (%)	Somewhat Important (%)	Not Important (%)	Average Value
Financial expertise	28.78	49.82	17.63	3.78	1.96
Industry expertise	26.33	48.22	21.00	4.45	2.04
CEO experience	16.13	40.86	30.47	12.54	2.39
Information technology	9.82	44.64	32.68	12.86	2.49
Global/international expertise	18.60	33.45	23.79	24.15	2.53
Marketing/digital/social media experience	7.87	39.89	38.82	13.42	2.58
Gender diversity	6.80	38.10	37.75	17.35	2.66
Human capital/resources	7.48	33.94	41.24	17.34	2.68
Legal/regulatory	6.36	30.00	44.00	19.64	2.77
Racial diversity	5.03	29.62	44.17	21.18	2.82

2. What has been your most successful source for adding highly valued new board members?



3. Despite an increased focus on board diversity, statistics on gender and racial diversity have not changed significantly. Do you foresee any of the following actions occurring in the U.S. over the next three (3) years?



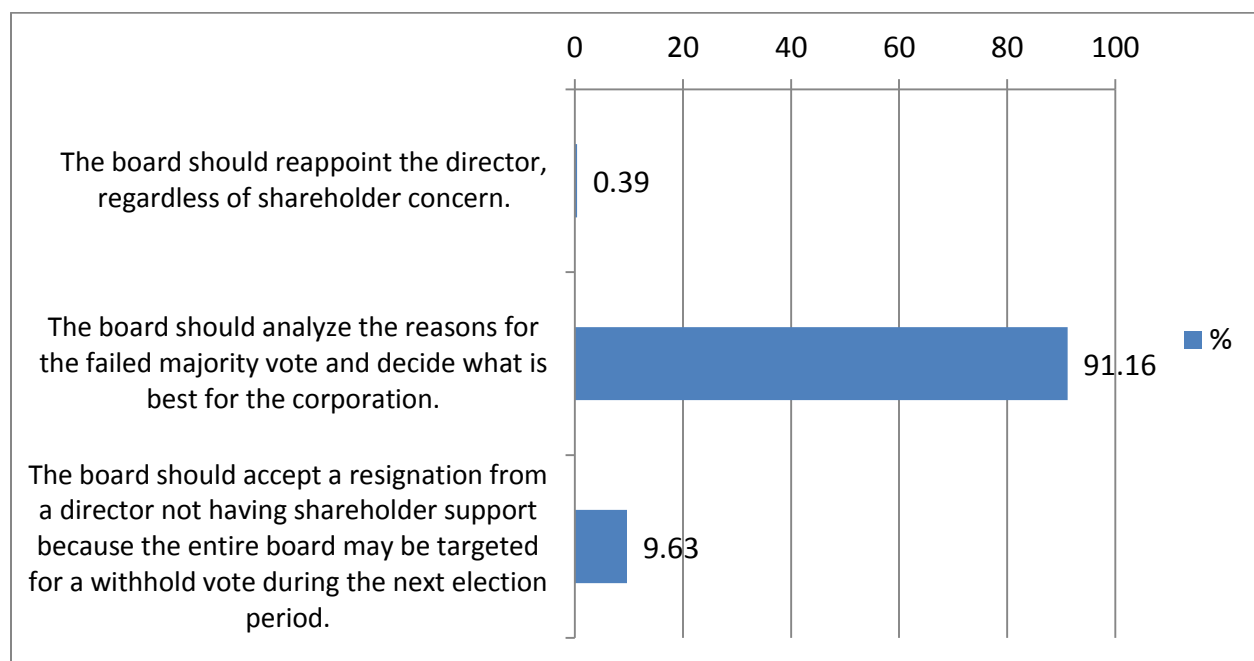
BOARD EFFECTIVENESS, EVALUATION, AND EDUCATION

4. How would you estimate the effectiveness of your board or board committee on each of the following dimensions?

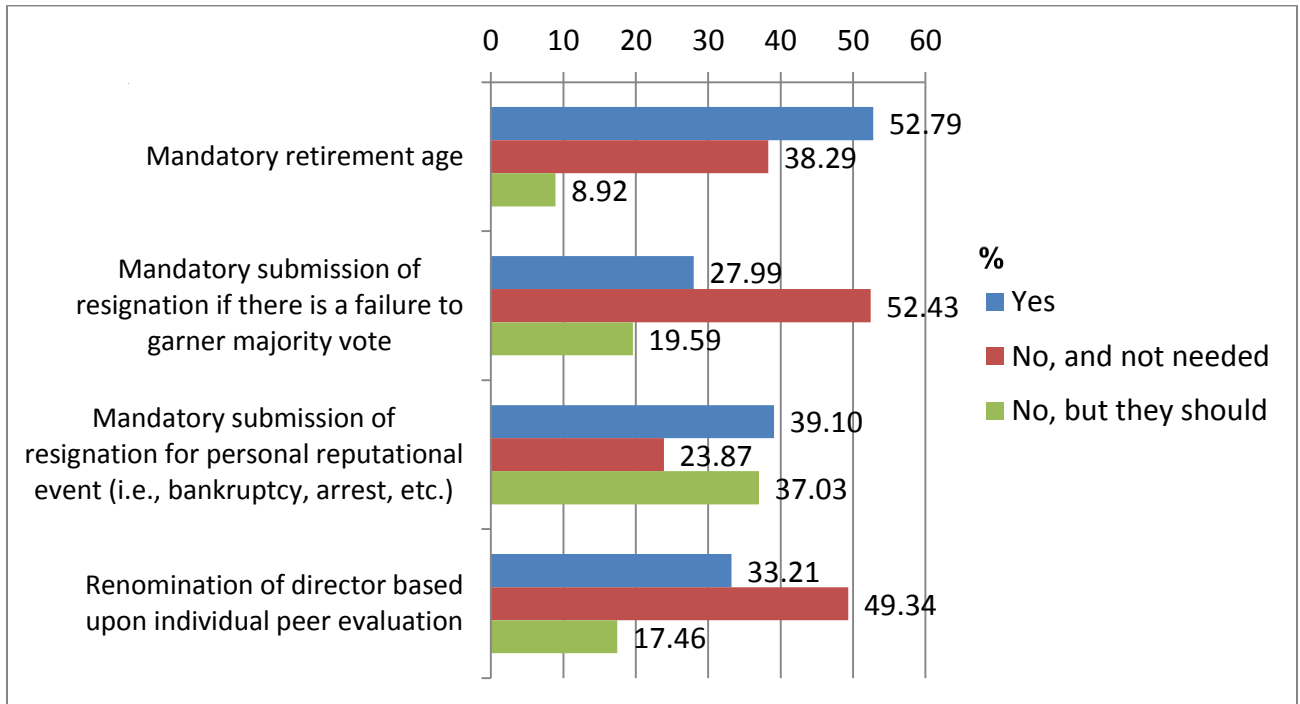
	Excellent (%)	Good (%)	Adequate (%)	Poor (%)	Don't know (%)	Average Value
The compensation committee’s ability to properly align CEO compensation with performance	45.82	42.00	9.45	2.18	0.55	1.70
The compensation committee’s ability to properly set industry benchmarks for CEO compensation	34.55	45.64	15.64	3.09	1.09	1.91
The audit committee’s ability to accurately monitor financial reporting	70.00	27.45	2.55	0.00	0.00	1.33
The audit committee’s ability to ferret out/properly investigate internal fraud	35.16	44.51	17.77	0.92	1.65	1.89
The board’s ability to monitor a risk management plan to mitigate corporate exposures	19.64	55.27	21.45	3.64	0.00	2.09
The board’s ability to stand up and challenge	57.74	31.69	7.47	2.91	0.18	1.56

management when appropriate						
The board's ability to create an agenda that best uses its limited time	29.69	49.36	17.85	3.10	0.00	1.94
The board's ability to complete a management succession plan	27.55	36.68	25.73	9.85	0.18	2.18
The board's ability to develop and deliver the CEO's performance review	37.00	41.58	16.30	4.40	0.73	1.90
The nominating/governance committee's ability to create a board with a balance of needed skills and diversity	24.91	45.64	23.82	5.09	0.55	2.11
The nominating/governance committee's process to effectively encourage board turnover	11.13	29.74	41.61	14.60	2.92	2.68

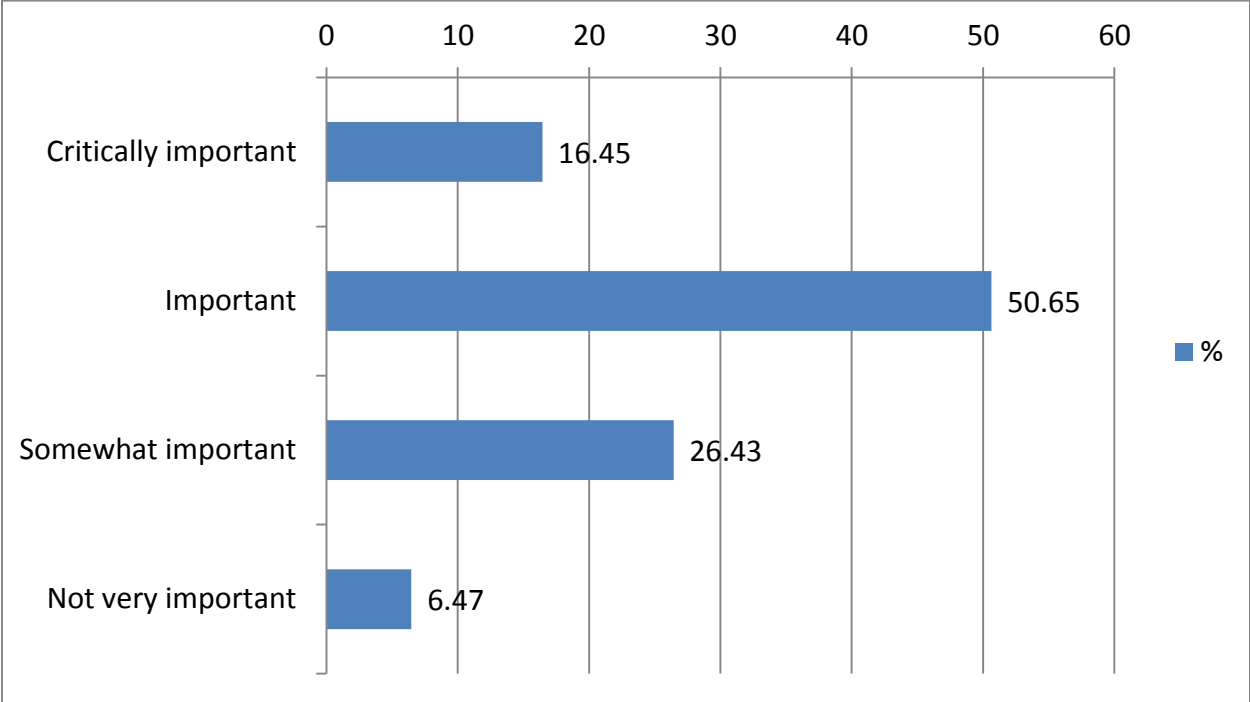
5. If your board had a director who did not receive majority support for re-election, which of the following actions seems most appropriate for the board to take?



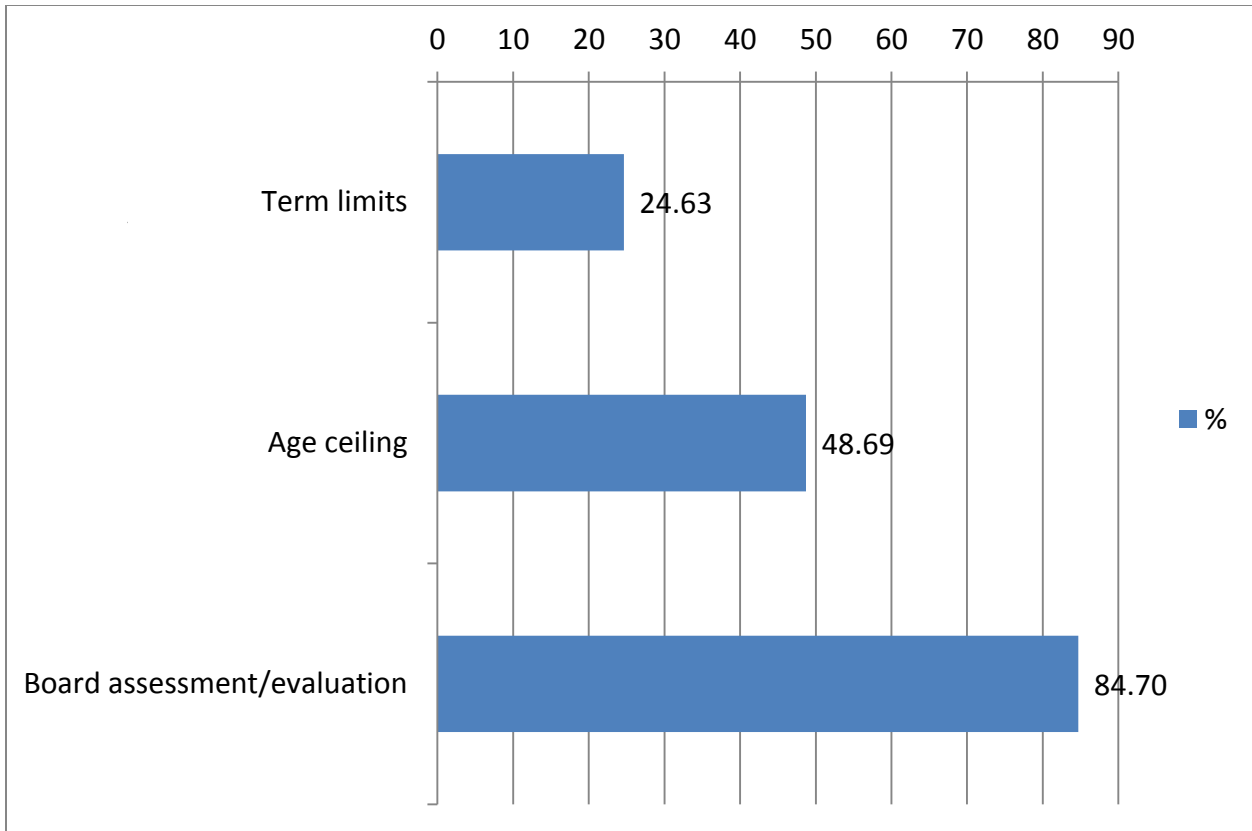
6. Do your board governance guidelines include any of the following?



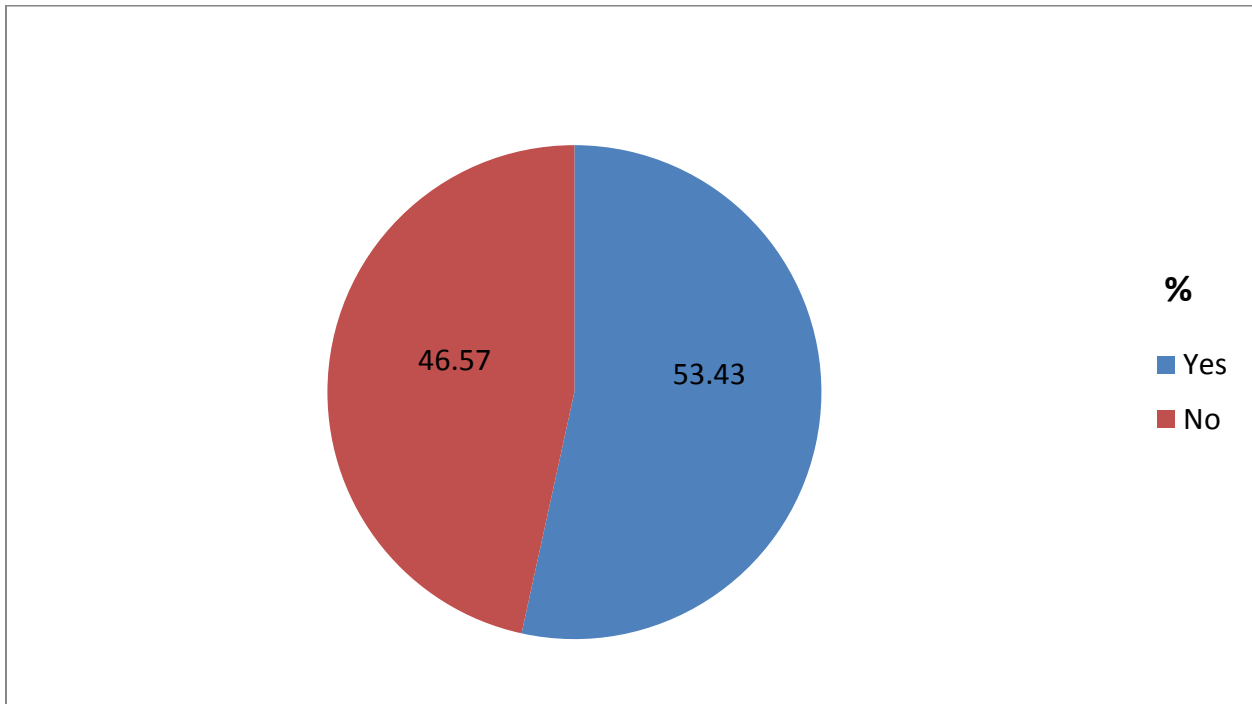
7. How important is it for good governance to periodically refresh the board with new blood?



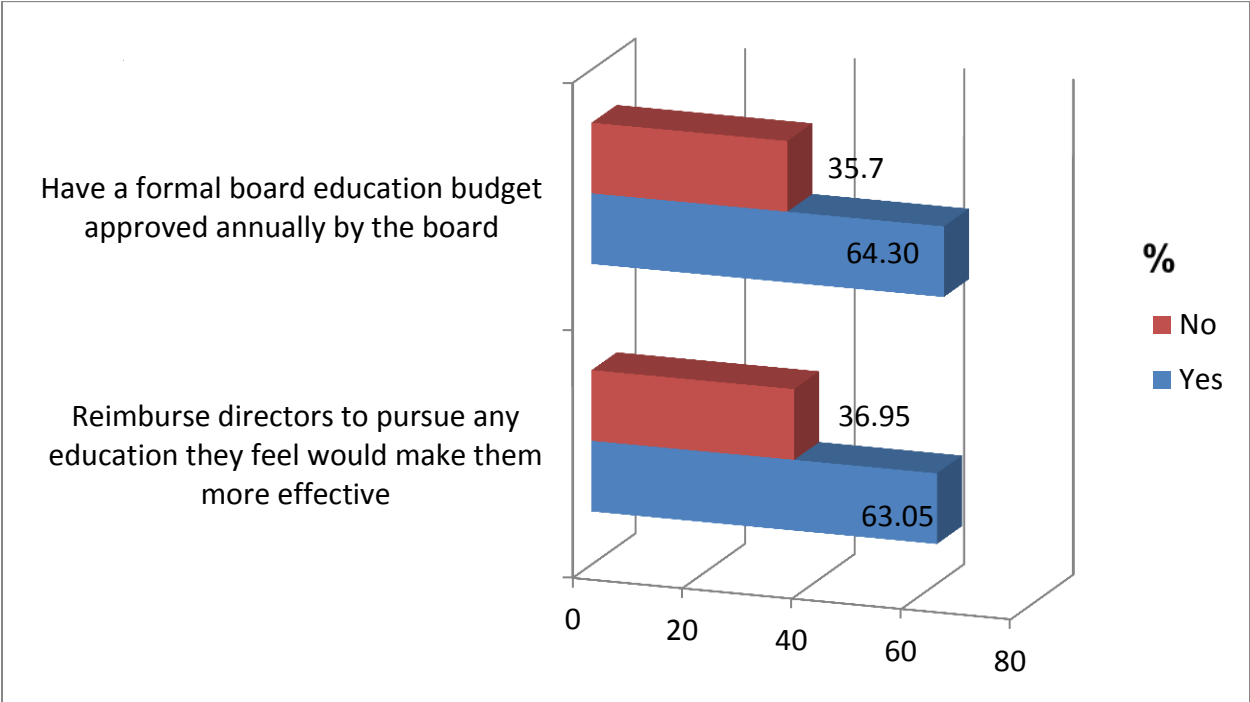
8. Which of the following do you believe are effective tools to encourage board refreshing?



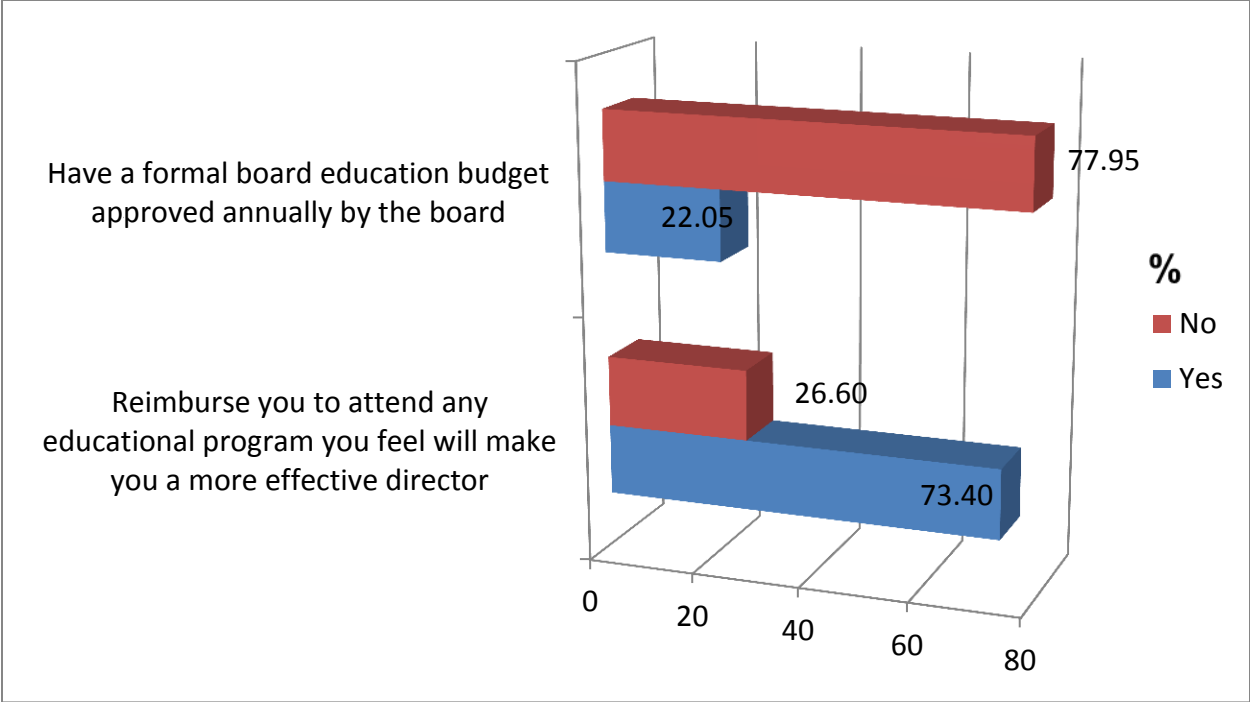
9. With younger directors joining boards, does it create a problem if a director ends up serving for as much as 30 years on one board?



10. Do you believe public companies should:

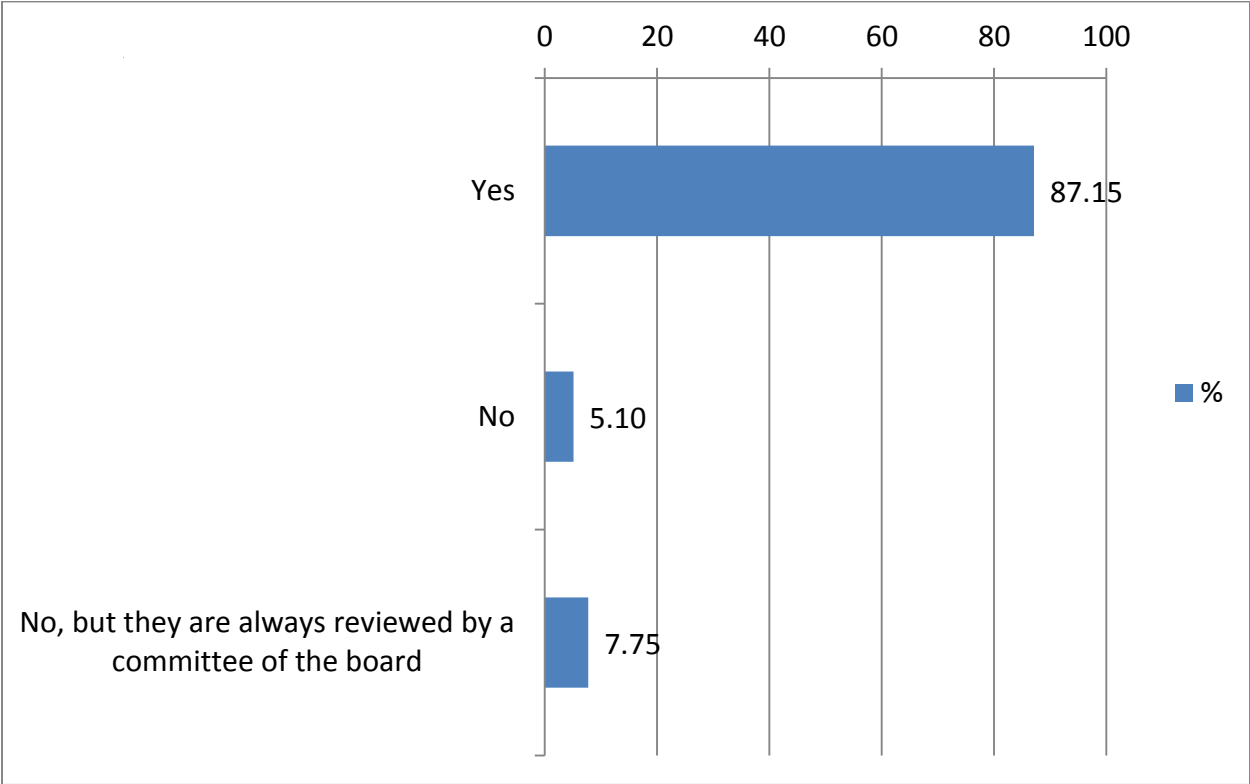


11. Does your company:

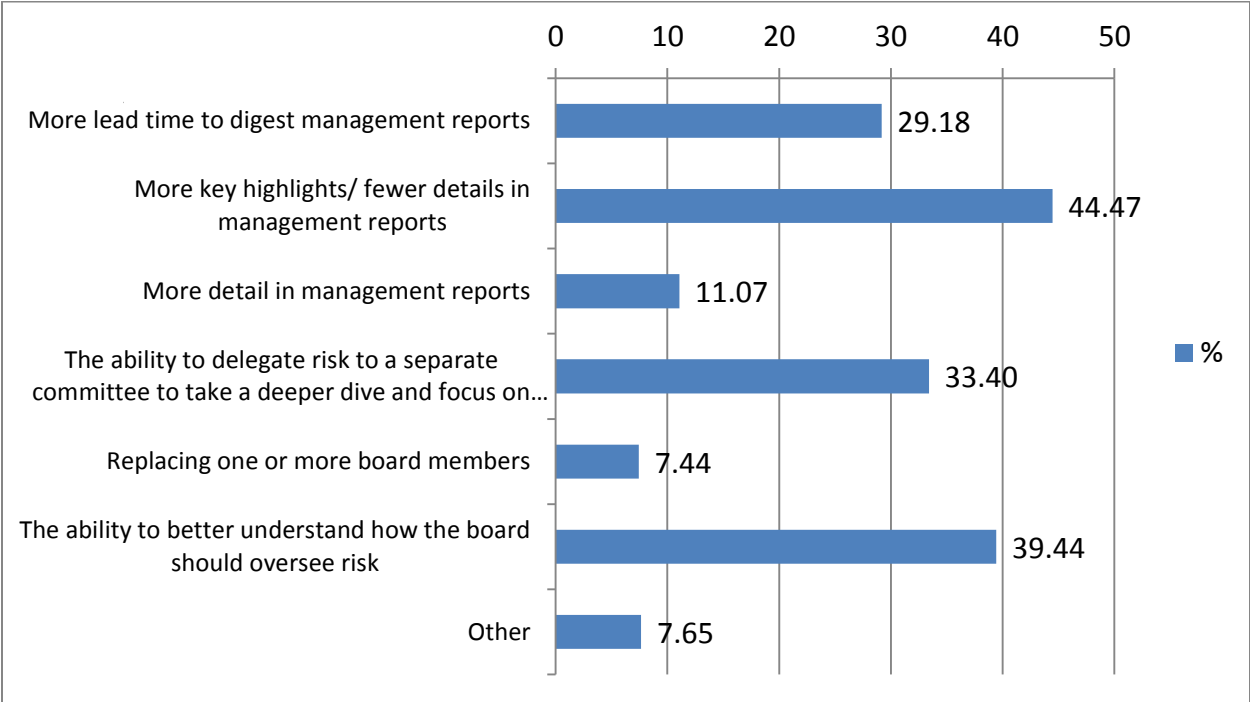


RISK OVERSIGHT AND STRATEGY

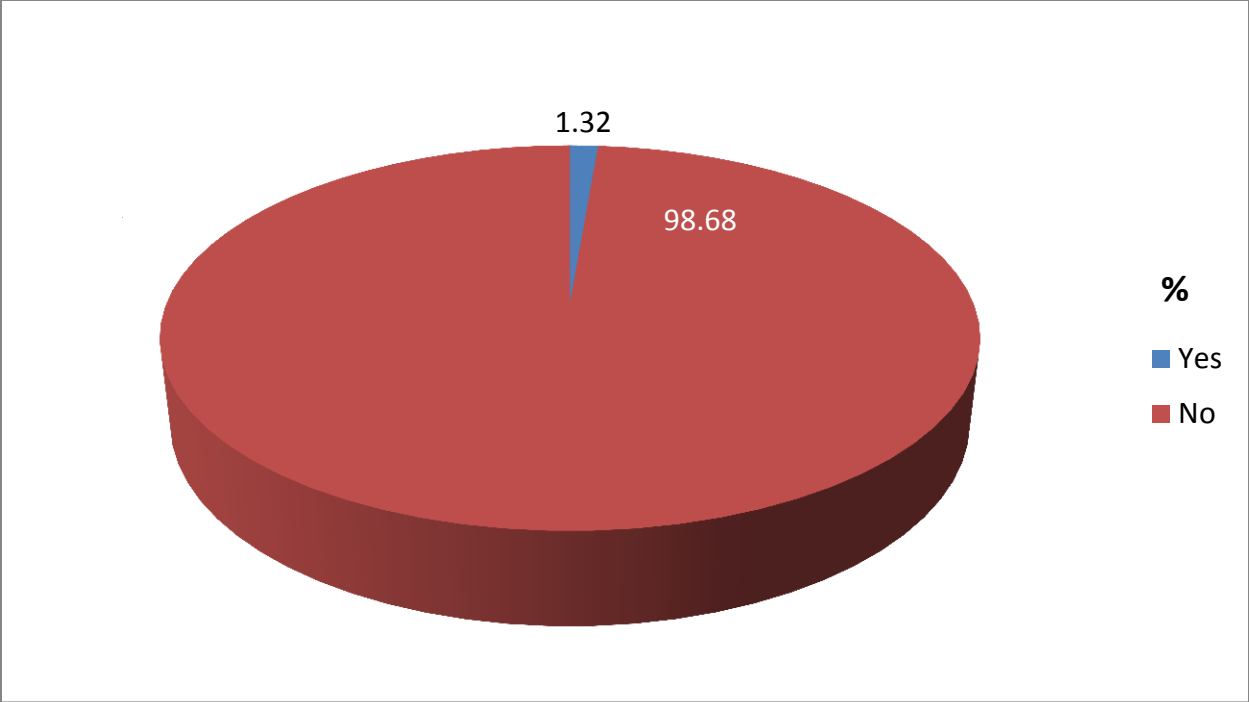
12. Are new strategic objectives always reviewed by the full board to ensure they align with the company's risk appetite?



13. Which of the following do you believe would improve your board’s ability to oversee company risk?



14. Has the company ever made corporate political contributions that you were concerned might open it up to liability?



15. How confident are you in your board’s ability to monitor IT/cyber risk with regard to the following:

	Very confident (%)	Confident (%)	Somewhat confident (%)	Not confident (%)	Unsure (%)	Average Value
Compliance of laws and regulations related to IT	25.81	47.99	21.80	2.87	1.53	2.06
How IT risk relates to the execution of the company strategy	14.83	44.68	32.51	7.03	0.95	2.35
IT breakdowns that could affect operations	13.33	46.67	31.81	6.86	1.33	2.36
Security of sensitive data	11.47	46.27	34.23	6.88	1.15	2.40

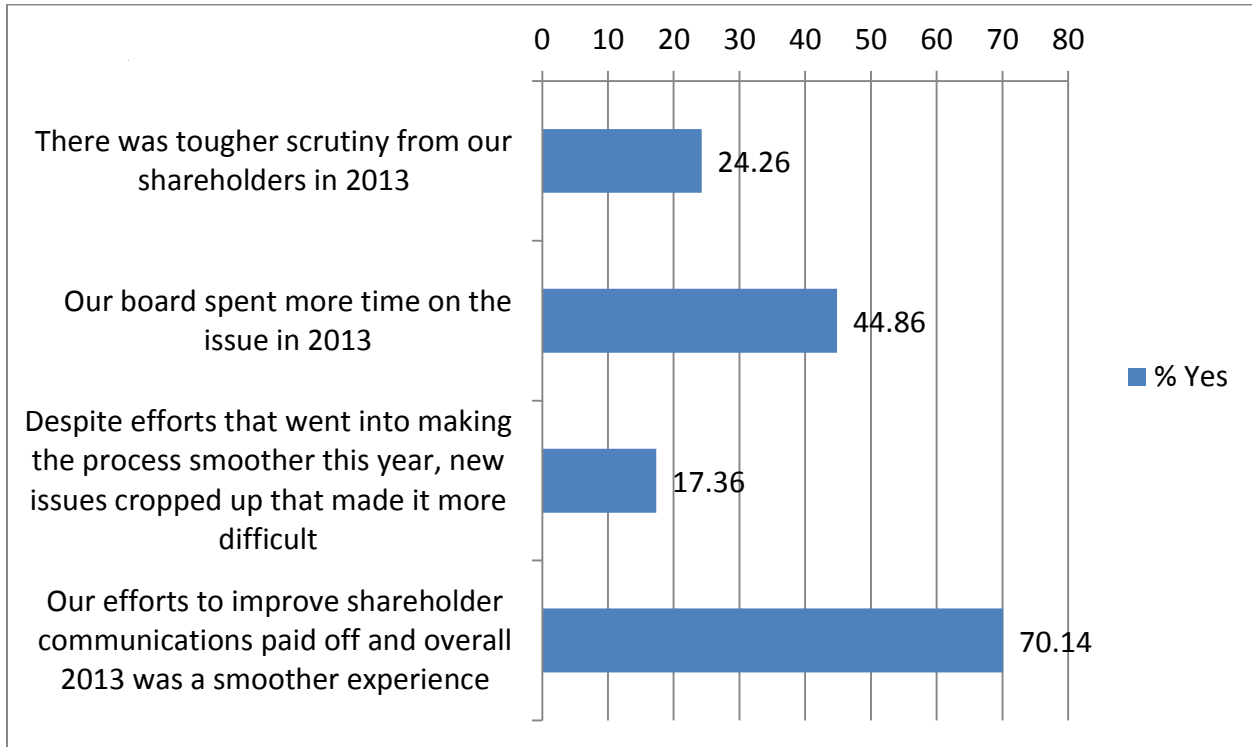
Board members' understanding of the many facets of IT risk	6.72	31.09	40.69	20.15	1.34	2.78
--	------	-------	-------	-------	------	------

16. If you were charged with setting the agenda for your next meeting, which topics would you include as most relevant?

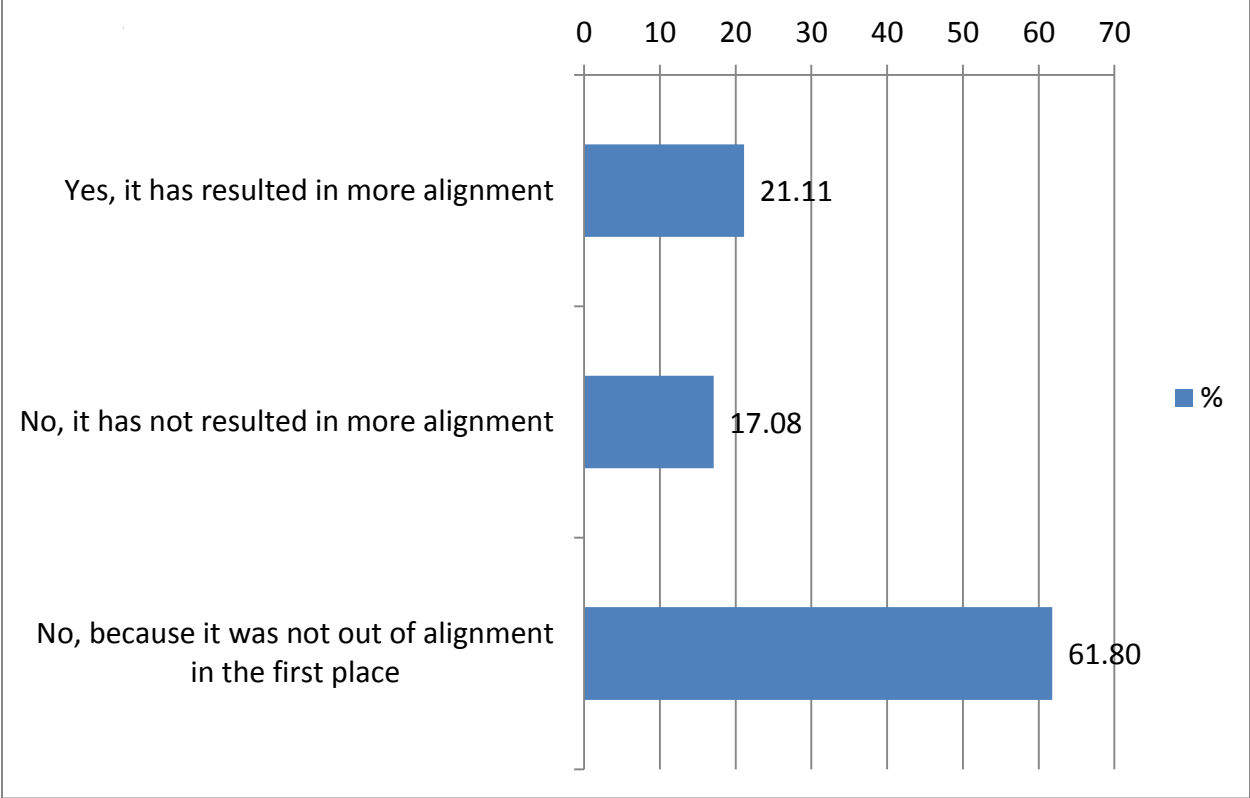


COMPENSATION

17. In comparing your 2013 say-on-pay vote with 2012, which of the following characterizes your company's experience?



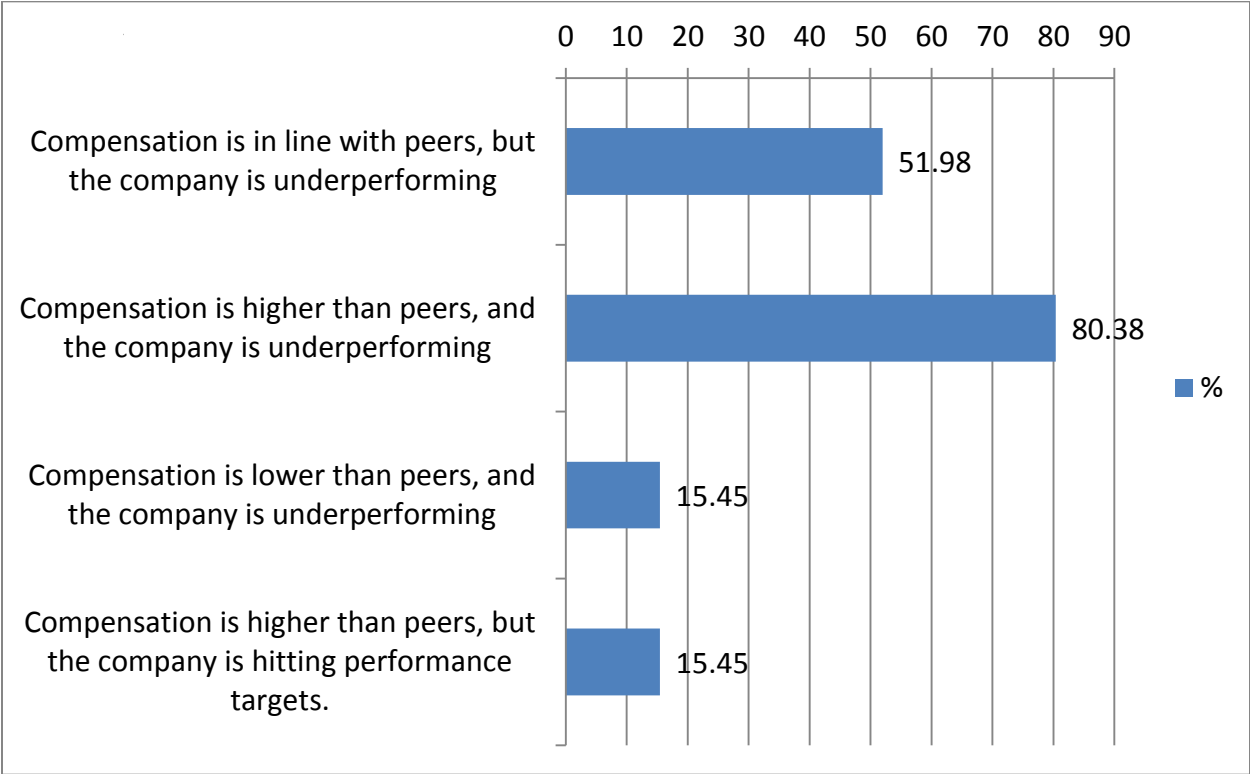
18. In your opinion, has three years of “say on pay” resulted in making executive pay more aligned with shareholders’ interests?



19. To what extent do you agree or disagree with the following regarding the SEC disclosure of CEO/median employee pay ratio?

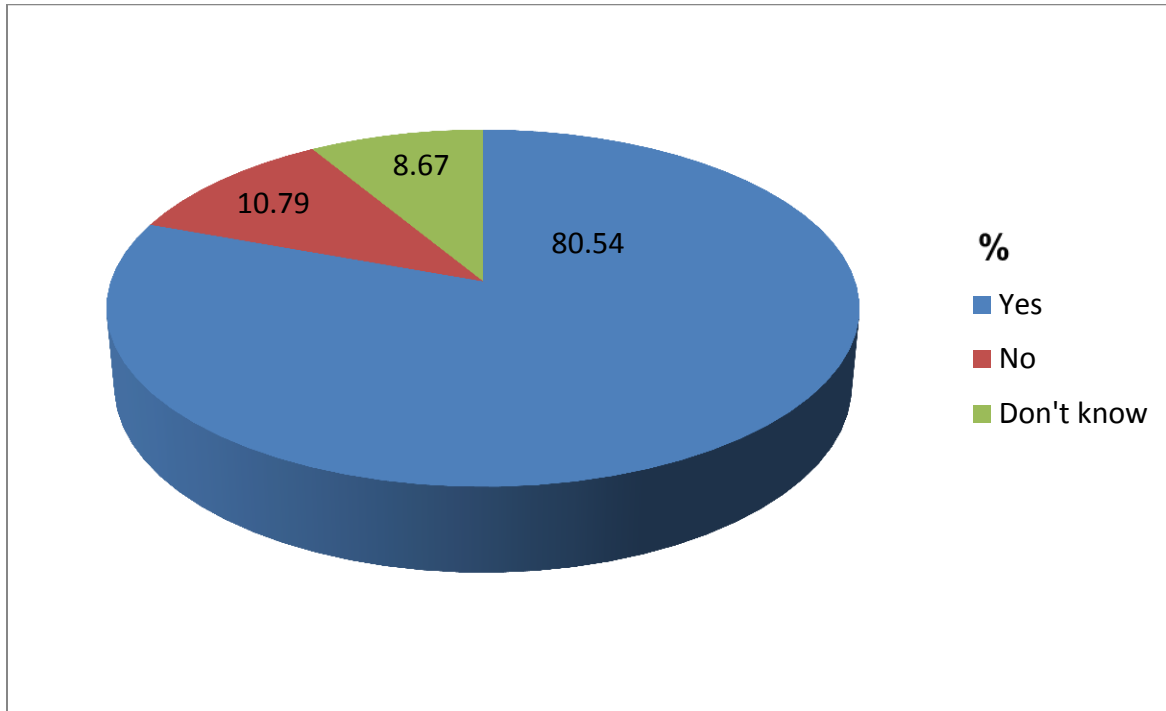
	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly disagree (%)	Average Value
It will result in a misleading indicator.	35.56	34.03	17.21	10.71	2.49	2.11
It will be costly.	13.18	32.36	35.08	16.67	2.71	2.63
It will be extremely difficult, if not impossible, to accurately compile and report.	16.89	30.33	33.01	16.31	3.45	2.59
It will dampen CEO pay increases.	1.16	15.80	36.22	33.72	13.10	3.42
It will provide meaningful information to investors.	4.40	12.62	17.02	28.87	37.09	3.82

20. Which of the following situations warrants a board making changes to the executive compensation plan prior to the next say-on-pay vote?

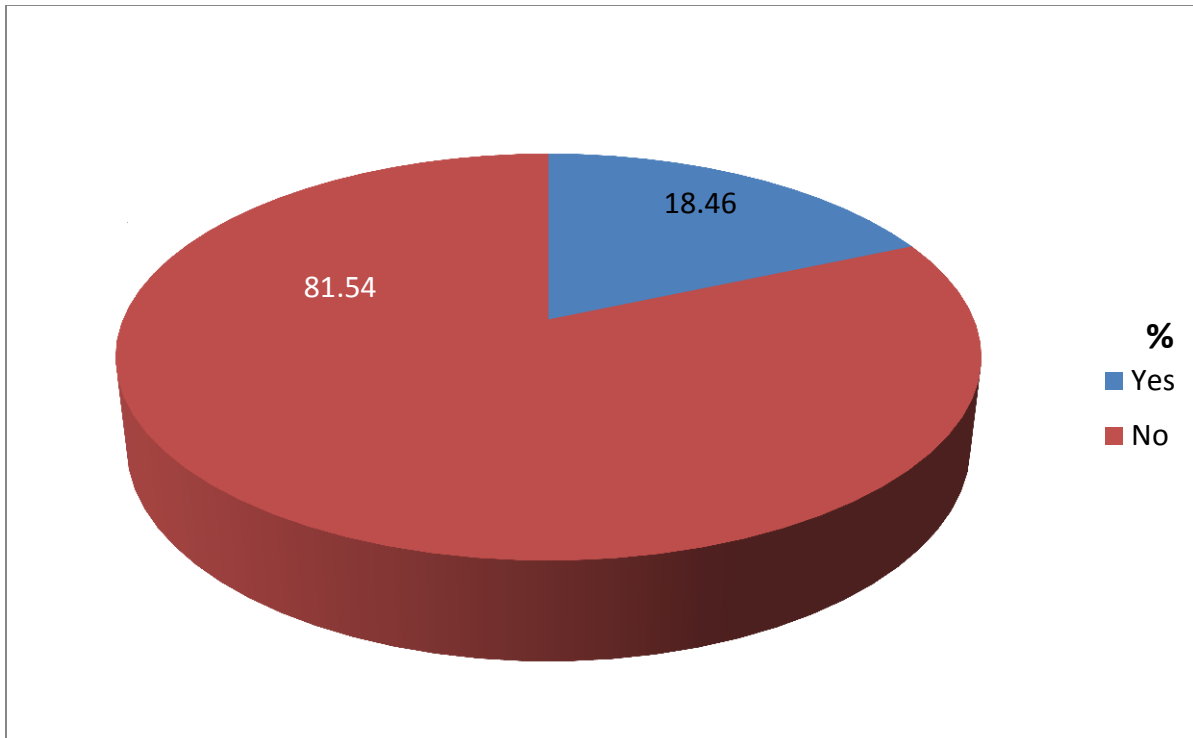


CEO SUCCESSION

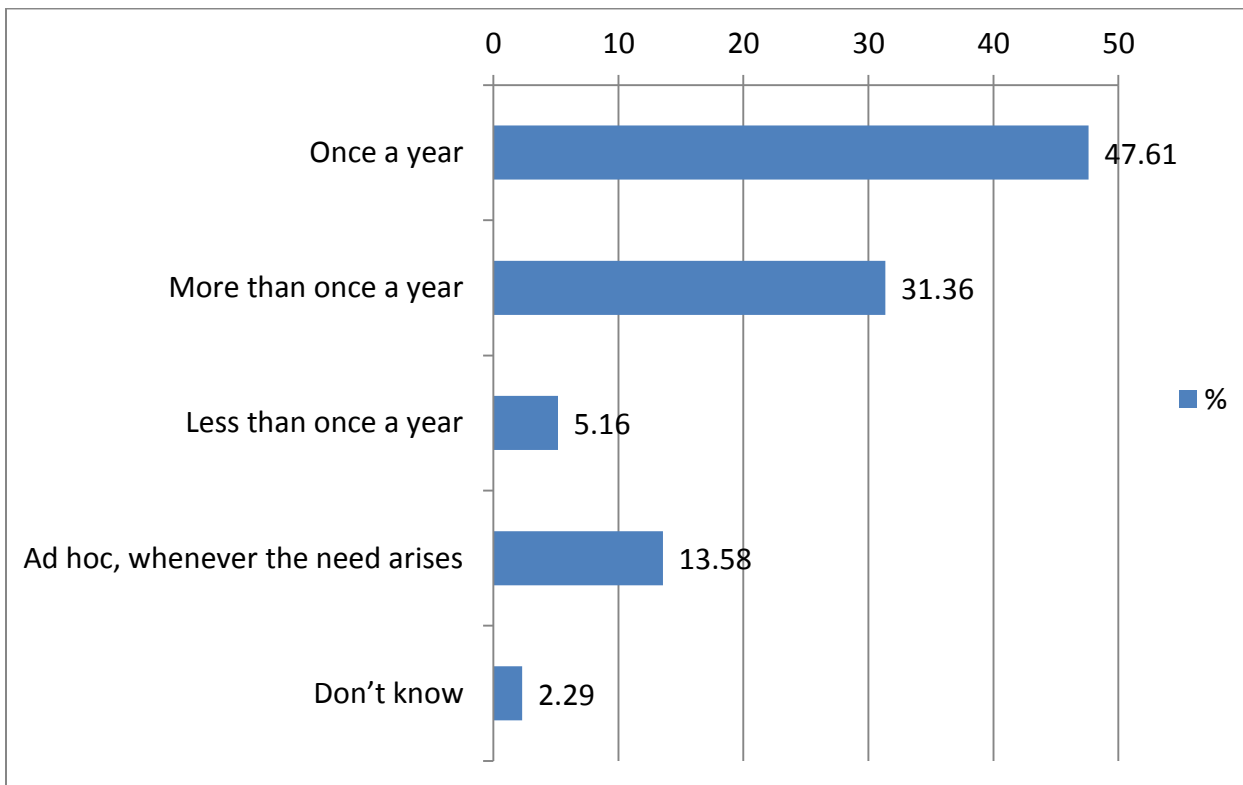
21. in the event that your CEO was unable to perform his/her duties tomorrow, do you believe your company's current executive succession plan would proceed without a hitch?



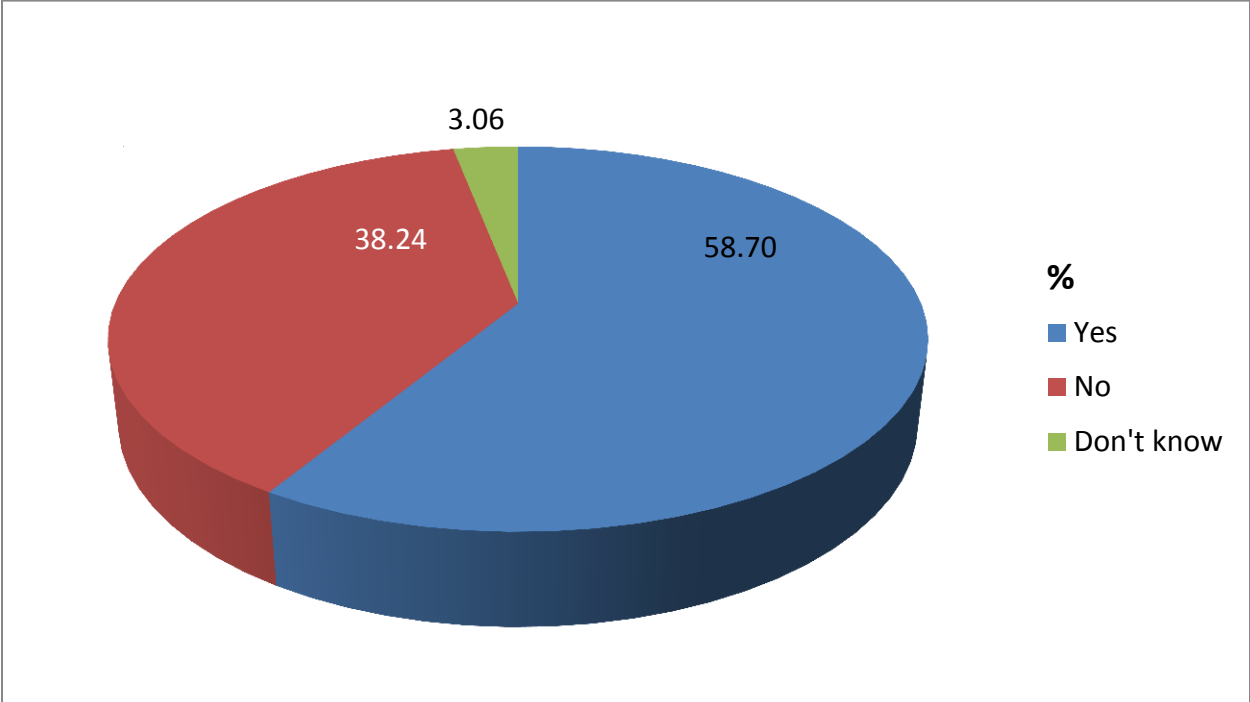
22. If you were an incoming CEO, would you want the past CEO serving as chairman of the board?



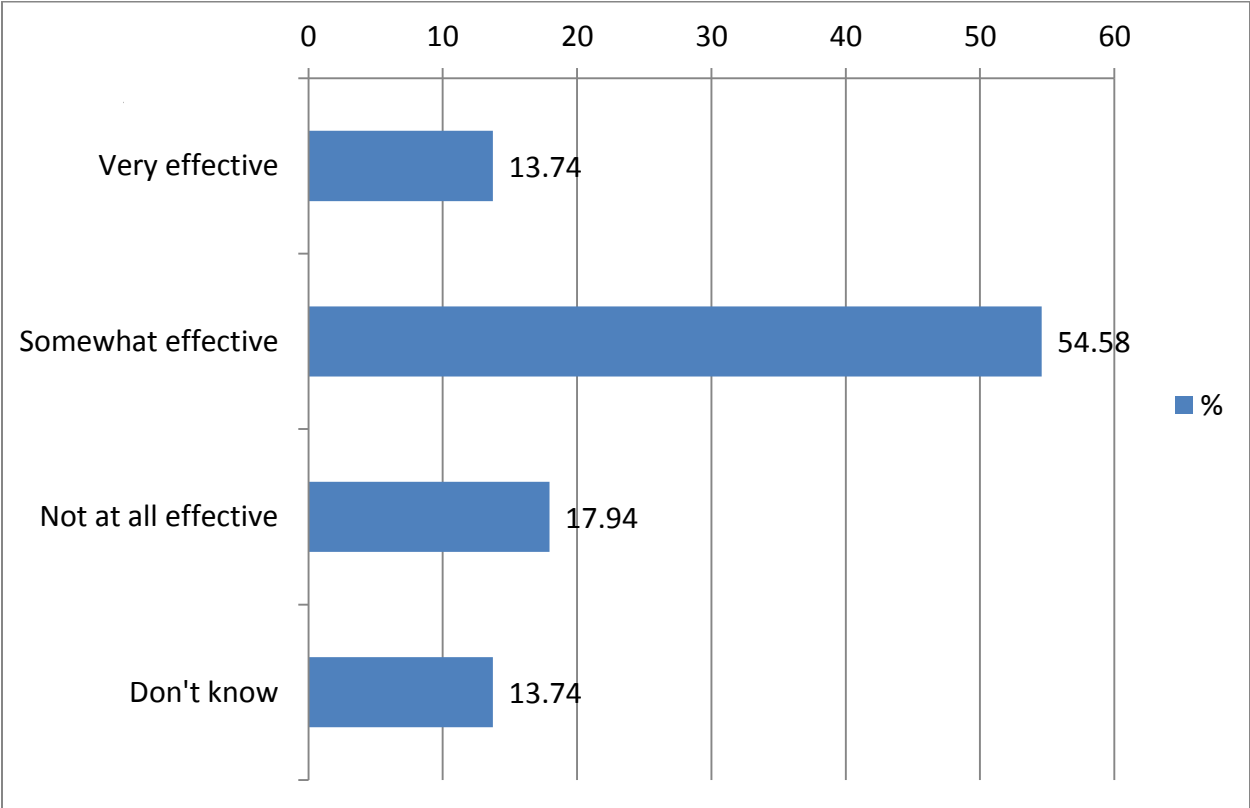
23. How often does your board review the company's CEO succession plan?



24. Does your board have a formal process to assess internal candidates?



25. How effective is your company's method for benchmarking management candidates against best-in-class talent in the marketplace?

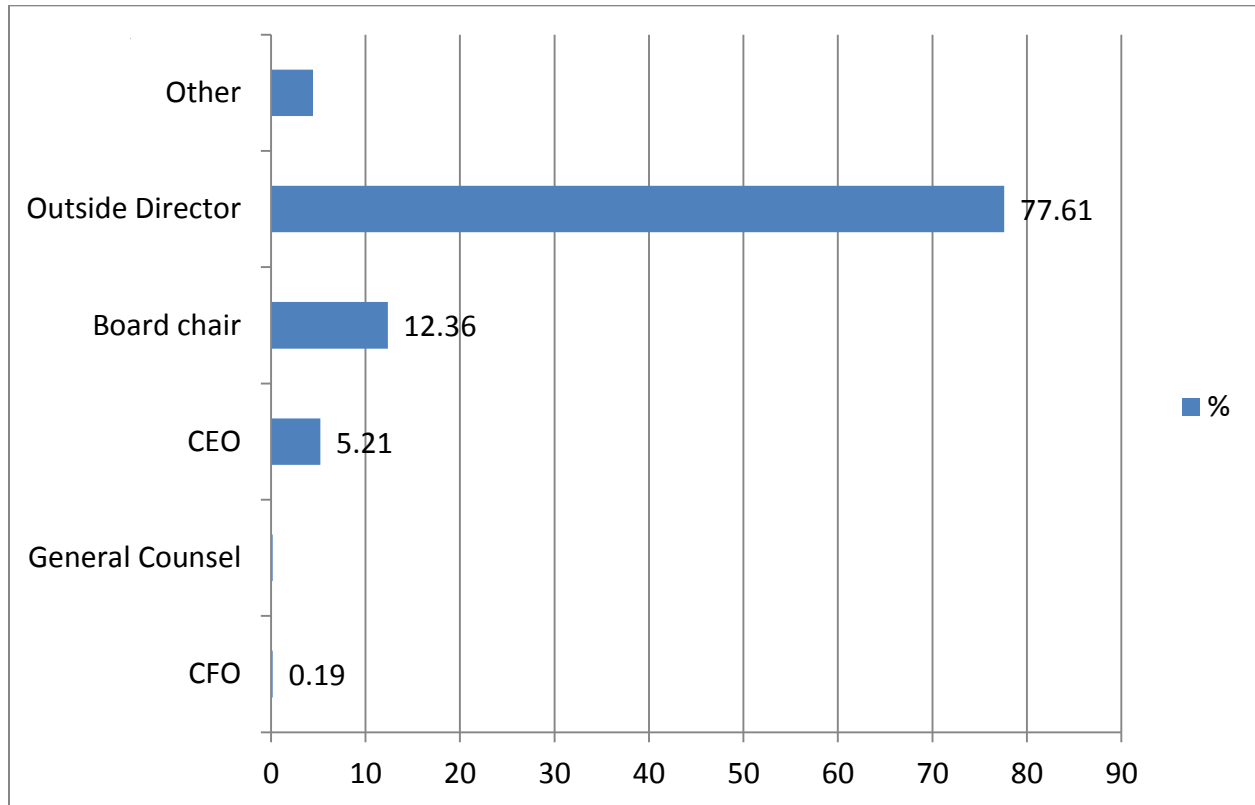


26. To what extent do you agree or disagree with the following regarding the splitting of the chairman/CEO role?

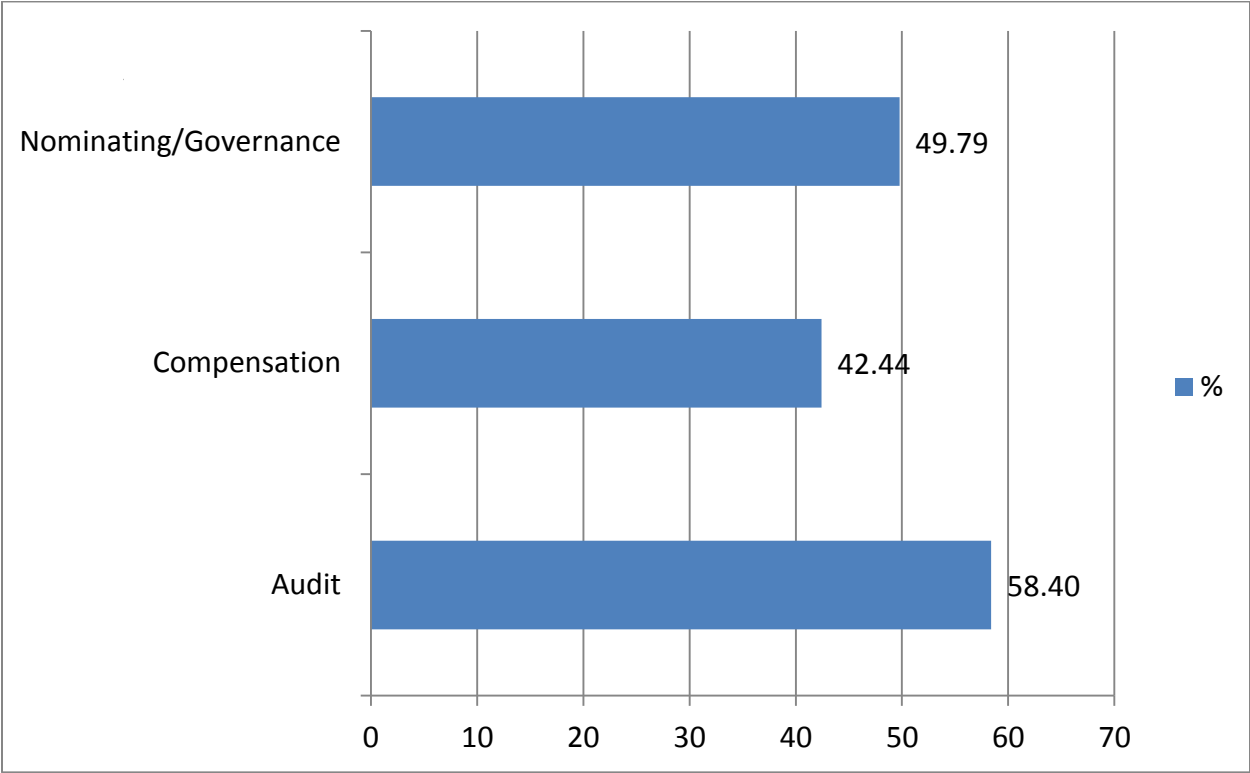
	Strongly agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Average Value
It results in more favorable proxy advisory recommendations	18.69	50.29	25.05	4.62	1.35	2.20
It offers more independence of thought within board discussions	26.00	38.24	14.91	16.25	4.59	2.35
It creates more effective CEO evaluations	22.22	38.12	20.31	15.90	3.45	2.40
It creates more effective CEO succession planning	17.73	34.30	25.82	18.50	3.66	2.56
It creates more effective CEO succession planning	17.73	34.30	25.82	18.50	3.66	2.56
It enhances shareholder communication	7.16	25.53	38.49	22.24	6.58	2.96
It lessens risk of fraud	6.55	28.71	31.02	24.66	9.06	3.01
The splitting of the CEO/chairman role offers no inherent benefits in and of itself.	13.01	18.83	15.53	30.87	21.75	3.30

DEMOGRAPHICS (answering for the largest co. on which you serve)

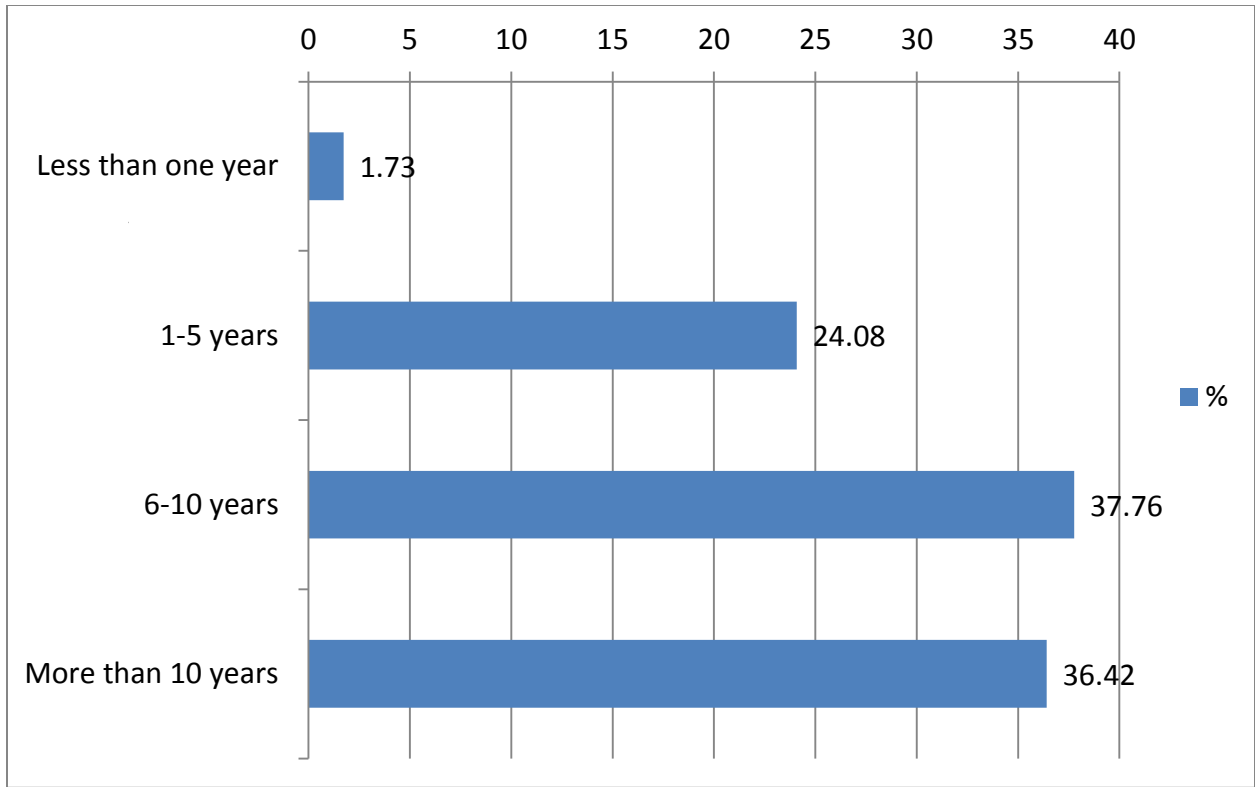
27. What is your primary company title?



28. On which committees do you sit?



29. How long have you served on this board?



For More information

Contact:

Deborah Scally – Editor and Director of Research

IntercontinentalExchange | NYSE Governance Services, Corporate Board Member

5110 Maryland Way | Ste. 250 | Brentwood, TN 37027

Tel: +1 615.879-8847 | Fax: +1 615.373-5607

dscally@nyx.com

NYSE GOVERNANCE SERVICES
CORPORATE BOARD MEMBER®