



Enhanced Disclosure in the Dow 30 and Select Financial Companies

Board Leadership Structure

by Louis L. Goldberg and Justine Lee

The analysis of disclosure on board leadership structure included in 2010 proxy statements by some of the largest U.S. public companies shows that over 75 percent of those companies continue to combine the CEO/chairman positions. Also, a large majority do not have formal policies that address whether the CEO may assume the chairmanship, but rather believe that the directors should be able to exercise their discretion in light of prevailing circumstances. However, all but three of the surveyed companies have appointed a lead independent director, whose role may encompass reviewing, assisting or consulting on (and, in some instances, approving) the meeting agenda as well as leading the CEO evaluation process.

Calls for independent board leadership have increased in recent years, with proponents arguing that the failure to separate the roles of CEO and chairman of the board contributed to poor risk oversight at financial institutions leading up to the economic crisis.¹

Resolutions requesting an independent board chair or the separation of the offices of CEO and board chairman were voted on at 31 companies in the 2009 proxy season²

and filed at over 50 companies in 2010. However, compared to other governance reforms such as majority voting or say-on-pay, shareholder support for proposals for separate or independent board chairs has been modest, averaging 36.3 percent in 2009, with only four independent chair proposals receiving majority support during the 2009 season.³ As of June 1, 2010, shareholder proposals for separate or independent board chairs have been rejected at the nine S&P 100 companies where they have come to a vote, averaging only 27 percent support.⁴

¹ See, for example, Stephen Alogna, Mariana Pargendler, and Meagan Thompson-Mann, "Chairing the Board: The Case for Independent Leadership in Corporate America," Yale School of Management—Millstein Center for Corporate Governance and Performance Policy Briefing No. 4, March 30, 2009 (available at millstein.som.yale.edu).

² *2009 Annual Corporate Governance Review: Annual Meetings, Shareholder Initiatives, Proxy Contests*, Georgeson, 2009, p. 21. On shareholder activism in this area, see Matteo Tonello and Damien Park, *The Shareholder Activism Report*, The Conference Board, April 2010, available at www.conference-board.org.

³ *2010 Proxy Season: Key Trends and Developments*, RiskMetrics, June 24, 2010, available at http://www.riskmetrics.com/webcasts/2010proxy_season_trends.

⁴ *Id.*



Instead, much of the momentum on this initiative has been generated by the legislative and regulatory debate that followed the financial crisis.⁵

The new SEC disclosure requirements have further focused the spotlight on this topic. Item 407(h) of Regulation S-K⁶ requires disclosure of a company’s board leadership structure, including whether and why the company has chosen to combine or to separate the principal executive officer and board chair positions. A company is also required to state why it believes that its leadership structure is the “most appropriate structure for it at the time of filing.” If the same person serves as

both board chair and CEO, the company must disclose whether the board has a lead independent director and describe that director’s role.

This *Director Notes* is the second in a series of studies developed in collaboration with Davis Polk & Wardwell LLP to provide guidelines and examples to member companies of The Conference Board on emerging practices following the SEC enhanced disclosure reform of December 2009. It is based on the analysis of 2010 proxy statements of the 30 companies in the Dow Jones Industrial Average as well as those of select financial institutions (see “The Survey,” below.)

The Survey

Findings discussed in this report are based on the analysis of 2010 proxy statements filed with the U.S. Securities and Exchange Commission by corporations in the Dow Jones Industrial Average, as well as those of select financial institutions. See Appendix 1, on p. 9, for a comparative table reproducing the disclosure language used by surveyed companies.

Dow 30 Companies

3M Company

Intel Corporation

Alcoa Inc.

International Business Machines Corporation

American Express Company

Johnson & Johnson

AT&T Inc.

JPMorgan Chase & Co.

Bank of America Corporation

Kraft Foods, Inc.

The Boeing Company

McDonald’s Corporation

Caterpillar Inc.

Merck & Co., Inc

Chevron Corporation

Microsoft Corporation^a

Cisco Systems, Inc.^a

Pfizer Inc.

The Coca-Cola Company

The Procter & Gamble Company^a

E.I. du Pont de Nemours and Company

The Travelers Companies, Inc.

Exxon Mobil Corporation

United Technologies Corporation^a

General Electric Company

Verizon Communications Inc.

Wal-Mart Stores, Inc.

Hewlett-Packard Company^a

The Walt Disney Company^a

The Home Depot, Inc.

Select Financial Institutions

Bank of America Corporation^b

Citigroup Inc.

The Goldman Sachs Group, Inc.

JPMorgan Chase & Co.^b

Morgan Stanley

^a These companies (collectively the “Early Filers”) filed their proxy statement before the effective date of the new Regulation S-K rules. As a result, they are largely excluded from the Survey results except in instances where the company provided the new disclosures in full voluntarily or the information was available from another source as noted.

^b Bank of America and JPMorgan Chase are also in the Dow 30.

⁵ The Dodd-Frank Act, approved on July 16, 2010 and signed into law by President Obama on July 21, directs the SEC to adopt, no later than 180 days after the bill’s enactment, rules requiring an issuer to disclose in its proxy statement the reasons why its board chairman and chief executive officer positions are held either by the same person or by different persons, as the case may be. The enhanced executive compensation regulations in Item 402 of Regulation S-K adopted in December 2009 (see the next footnote) already require disclosure of the company’s board leadership structure and a discussion regarding why the company determined that such structure was appropriate.

⁶ SEC Release No. 33-9089; 34-61175 (“Proxy Disclosure Enhancements”), December 16, 2009, available at www.sec.gov/rules/final/2009/33-9089.pdf. The rules apply to proxy and information statements, annual reports and registration statements under the Exchange Act, and registration statements under the Securities Act as well as the Investment Company Act. They do not apply to foreign private issuers. For an extensive discussion of the practical implications of the reform, see William M. Kelly and Mutya Fonte Harsch, “Directors’ Duties Under the New SEC Rules on Disclosure Enhancement,” *Director Notes* No. DN-005, February 2010.

The Issue

Traditionally, in U.S. public companies, the CEO heads the management team overseen by the board and is also a member of the board. Those who support the preservation of this traditional structure of duality argue that a single leadership fosters more operational efficiency, facilitates internal communication from and to the board, and ultimately enables better business performance.^a

The Business Roundtable, for instance, believes that most American corporations have been “well served” by a structure where the CEO also operates as chairman of the board, since it bridges management and directorship levels while ensuring that both act with commonality of purpose.^b On the other hand, detractors of this practice warn of the dangers of corporate power concentrating in one individual and observe that separating the roles would favor a clearer delineation between the purpose of the board and the responsibilities of management.^c

However companies decide this structural issue, today’s boards are unquestionably expected to establish the procedural safeguards necessary to avoid conflicts of interests and ensure appropriate balance of power. The role of outside directors has been transformed over the years as boards have expanded their expertise and intensified their monitoring activities. In this new context, outside members should be able to rely on leadership to act independently and perform effectively.

^a Aiyesha Dey, Ellen Engel, and Xiaohui Liu, “Determinants and Implications of Board Leadership Structure,” Chicago Booth Research Paper No. 09-23, June 2009 (available at www.ssm.com/abstract=1412827); James A. Brickley, Jeffery L. Coles, and Gregg Jarrell, “Leadership Structure: Separating the CEO and Chairman of the Board,” *Journal of Corporate Finance*, Vol. 3, 1997, p. 189; Ram B. Baliga, Charles R. Moyer, and Ramesh S. Rao, “CEO Duality and Firm Performance: What’s the Fuss?” *Strategic Management Journal*, Vol. 17, 1996; and S.V. Berg and S.K. Smith, “CEO and Board Chairman: A Quantitative Study of Dual vs. United Board Leadership,” *Directors and Boards*, Vol. 3, 1978, pp. 34–37.

^b *Principles of Corporate Governance*, The Business Roundtable, 2005, p. 15.

^c See, for example, Alogna, et al., “Chairing the Board,” and Paul Coombes and Simon C.Y. Wong, “Chairman and CEO—One Job or Two?” *The McKinsey Quarterly*, No. 2, 2004; and Chul W. Park and Vidhan K. Goyal, “Board Leadership Structure and CEO Turnover,” *Journal of Corporate Finance*, Vol. 8, No. 1, January 2002.

The Conference Board Recommendations

Since 2003, The Conference Board Commission on Public Trust and Private Enterprise has been recommending the adoption of one of the following approaches to achieve such balance of powers:

- **Separating the two roles, with an independent director as chairman** This approach clearly delineates the roles and responsibilities of the chairman and CEO and provides the greatest potential for creating appropriate checks and balances between the board and management. In this scenario, the chairman would have such responsibilities as: presiding at board meetings; having ultimate approval over board agendas, length of discussion time for agenda items, and information flow to the board; and working with the corporate governance committee to coordinate CEO and board assessments.
- **Appointing a lead, presiding, or senior independent director** This approach could be employed when boards do not choose to separate the chairman and CEO positions, or when the roles are separated but the appointed chairman is not an independent director. In this scenario, the lead, presiding, or senior director should not be a member of management or have any conflicting ties to the CEO. Preferably, he or she should meet the independence requirements under applicable listing standards. The presiding director (or other equivalent designation) would have such responsibilities as: chairing executive sessions; serving as the principal liaison between management and independent directors; and working closely with the chairman to finalize board meeting agendas. The lead or presiding director would also be in charge of meetings of independent directors and have approval over information flow to the board and other operational aspects. (See p. 8 for a sample board resolution containing the description of the responsibilities assigned to a lead independent director).

(Continued on page 4)

The Issue (continued)

RiskMetrics' voting policies on independent chair shareholder proposals

Under its voting policies, proxy advisor RiskMetrics generally recommends a vote for shareholder proposals requiring that the chairman's position be filled by an independent director, unless the company maintains all the elements of the following counterbalancing governance structure:

- Designated lead director, elected by and from the independent board members with clearly delineated and comprehensive duties. (The role may alternatively reside with a presiding director, vice chairman, or rotating lead director, however, the director must serve a minimum of one year in order to qualify as a lead director.)

The duties should include, but are not limited to, the following:

- presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;
- serves as liaison between the chairman and the independent directors;
- approves information sent to the board;
- approves meeting agendas for the board;
- approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- has the authority to call meetings of the independent directors;
- if requested by major shareholders, ensures that he is available for consultation and direct communication.

Source: Matteo Tonello, *Corporate Governance Handbook: Legal Standards and Board Practices* (Third Edition), The Conference Board, 2009, p. 33; U.S. *Corporate Governance Policy—2010 Update*, RiskMetrics Group, November 19, 2009.

Chairman of the Board of Directors

Survey findings show that while a number of the analyzed companies have persons other than the CEO serving as chairman of the board, over 75 percent of them continue to combine the CEO/chairman positions.

Chart 1

Chairman of the Board – Dow 30 companies

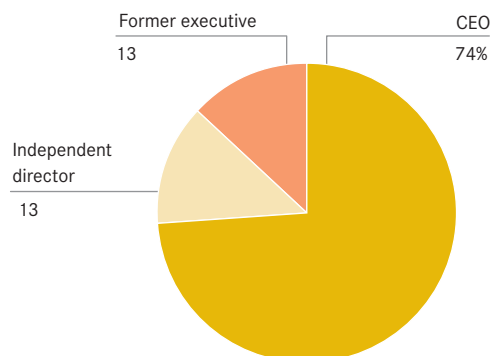
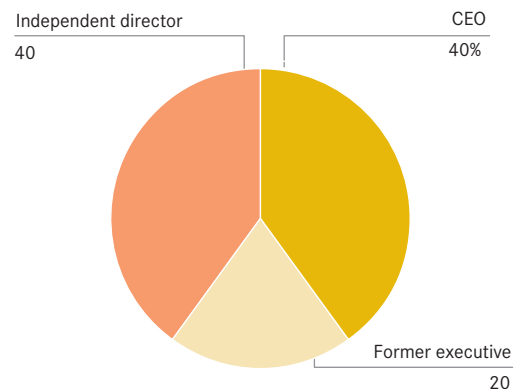


Chart 2

Chairman of the Board – Select Financial Institutions



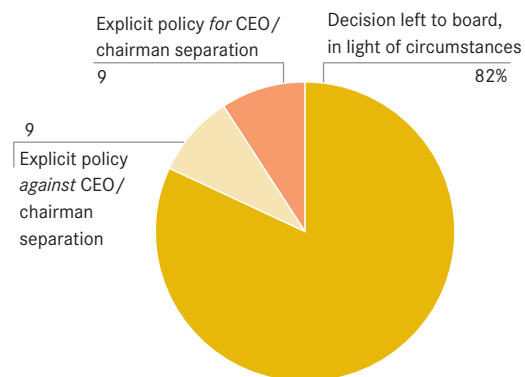
Formal policies on CEO/chairman separation

Organizational documents may provide guidelines on the board leadership structure. More specifically, of the surveyed companies:

- Three have explicit policies for separating the positions of CEO and chairman of the board.
- Three have explicit policies against separating the positions of CEO and chairman of the board.
- Twenty-seven do not have formal policies that address whether the CEO may assume the chairmanship, but rather believe that the directors should be able to exercise their discretion in light of prevailing circumstances.

Chart 3

Formal policies on CEO/Chairman separation



Lead Independent Director

Survey findings show that all but three of the companies whose CEO serves as chairman of the board have lead independent directors.















Of the 29 companies that set forth lead directors duties:

- Eight authorize the lead director to “*approve*” board meeting agendas.
- Fifteen authorize the lead director to *review, assist* or *consult* on the meeting agenda, but do not grant approval over the agenda.
- Six authorize the lead director to “*approve*” information sent to the board.
- Six task the lead director with leading the CEO’s evaluation.

Table 1 (pp. 6–7) details responsibilities of the lead independent directors, as disclosed by the surveyed companies that reported having instituted this position within the board. (Also see “Lead Independent Director Charter,” on p. 8, for a sample organizational document).



















Table 1

Comparison of Lead Director Duties

	Preside at all board meetings when chair not present ¹	Liaise between Chair and independent directors	Approve information sent to board	Approve meeting agendas for board	Approve meeting schedules	Review (but not approve) agenda, schedule, materials	Authority to call meetings of independent directors	Available to consult with major shareholders	Lead CEO evaluation	Additional duties/Notes
	✓	✓				✓	✓			Communicate board feedback to CEO
	✓					✓	✓			Respond directly to shareholder comments directed to lead
										No lead director; executive sessions presided over by chair of relevant committee or by longest serving member of the board
	✓	✓		✓*		✓	✓			* Approve "addition of any item" to agenda; Require info relating to any matter to be distributed to board
										Chair is independent
	✓					✓	✓			
	✓	✓	✓	✓	✓		✓	✓		
	✓	✓	✓	✓	✓		✓	✓		
										Proxy filing preceded effective date of new SEC disclosure rules.
	✓	✓	✓	✓	✓		✓	✓		Lead director duties in the event CEO is not independent
									✓	Monitor and coordinate with management on corporate governance issues
	✓	✓					✓			
	✓									
										Advise on selection of committee chairs; Provide leadership where chair may be perceived to be in conflict; Work with chair to propose annual schedule of major discussion items

¹ Note that this column does not capture authorization to preside solely at executive sessions of the independent directors.

Comparison of Lead Director Duties

	Preside at all board meetings when chair not present ¹	Liaise between Chair and independent directors	Approve information sent to board	Approve meeting agendas for board	Approve meeting schedules	Review (but not approve) agenda, schedule, materials	Authority to call meetings of independent directors	Available to consult with major shareholders	Lead CEO evaluation	Additional duties/Notes
	✓	✓	✓	✓	✓		✓	✓		Meet directly with management and non-management employees
	✓	✓				✓			✓	Recommend changes to improve board, committee or director effectiveness
	✓	✓	✓	✓	✓		✓	✓		Consult with chair on other matters pertinent to board/company
										Chair is independent
		✓				✓	✓		✓	No lead director; chair of relevant committee presides at executive session
	✓	✓					✓			Advised promptly of any communications alleging misconduct or raising legal/ethical concerns
	✓					✓	✓	✓		
										Chair is independent
	✓	✓	✓	✓	✓		✓	✓		Serve as liaison between board and stockholders on investor matters
						✓			✓	Presiding director duties; coordinate with CEO to set agenda
	✓			✓	✓		✓	✓		May request inclusion of additional agenda items; Advise on informational needs
	✓	✓	✓	✓	✓		✓	✓		Authorize retention of outside advisors and consultants
		✓				✓				Communicate board feedback to CEO
		✓				✓	✓			Respond to correspondence sent to board; Recommend outside consultants and advisors without consulting any officer of the company
	✓	✓				✓	✓		✓	
	✓	✓				✓	✓		✓	Presides over Board's annual self-evaluation; may call meetings of the board.
										Former CEO serves as Chair; presiding Director presides at executive sessions.
										Chair is independent

Lead Independent Director Charter

If the Chairman of the Board and Chief Executive Officer are the same person, the Pfizer Board of Directors will annually elect a non-management director to serve in a lead capacity. Although annually elected, the Lead Independent Director is generally expected to serve for more than one year.

The Lead Independent Director coordinates the activities of the other nonmanagement directors, and performs such other duties and responsibilities as the Board of Directors may determine.

The specific responsibilities of the Lead Independent Director are as follows:

Preside at Executive Sessions

- Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors.

Call Meetings of Independent Directors

- Has the authority to call meetings of the independent directors.

Function as Liaison with the Chairman

- Serve as principal liaison on Board-wide issues between the independent directors and the Chairman.

Approve appropriate provision of information to the Board such as board meeting agendas and schedules

- Approve the quality, quantity and timeliness of information sent to the Board as well as approving meeting agenda items.
- Facilitate the Board's approval of the number and frequency of board meetings, as well as meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Authorize Retention of Outside Advisors and Consultants






- Authorize the retention of outside advisors and consultants who report directly to the Board of Directors on board-wide issues.

Shareholder Communication

- If requested by shareholders, ensures that he/she is available, when appropriate, for consultation and direct communication.






Source: Pfizer Inc, 2010.

Survey of Enhanced Director and Nominee Disclosure

Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
	CEO serves as Chairman	<p>"The Board believes that its current leadership structure provides independent board leadership and engagement while deriving the benefit of having our CEO also serve as Chairman of the Board."</p> <p>"Coupled with an independent Lead Director, this combined structure provides independent oversight while avoiding unnecessary confusion regarding the Board's oversight responsibilities and the day-to-day management of business operations."</p> <p>"The Board believes that combining the roles of CEO and Chairman contributes to an efficient and effective Board.... The Board believes that to drive change and continuous improvement within the Company, tempered by respect for 3M's traditions and values, the CEO must have maximum authority to be effective.... The Board currently believes the CEO is best able to chair regular Board meetings and, with his in-depth knowledge and understanding of the Company, bring key business issues and stakeholder interests to the Board's attention."</p>	<p>"The Board of Directors believes it is fundamentally wrong to permanently and inflexibly separate or combine the positions of Chairman of the Board and Chief Executive Officer. To do so prevents the Board from acting in the stockholders' best interests when selecting future Board leadership. The Board rejected permanently separating or combining the positions of Chairman and CEO in its Corporate Governance Guidelines... Instead, the Board adopted an approach that allows it, in representing the stockholders' best interests, to decide who should serve as Chairman or CEO, or both, under present or anticipated future circumstances."</p>
	Former CEO serves as Chairman	<p>"For the past two years we have split the roles of Chairman of the Board and Chief Executive Officer in order to provide a transition in leadership." It is anticipated that after the 2010 annual meeting of shareholders, the CEO would assume the roles of both the CEO and chairperson.</p>	None specified.
	CEO serves as Chairman	<p>"The Board believes that separating the position of Chairman and CEO does not serve the best interests of the Company at this time."</p> <p>"The Board believes that by serving as both Chairman and CEO, Mr. Chenault is able to draw on his intimate knowledge of the daily operations of the Company and its relationships with customers, employees and business partners to provide the Board with leadership in setting its agenda and focusing its discussion. Mr. Chenault's combined role as Chairman and CEO also ensures that the Company presents its message and strategy to shareholders, employees and customers with a unified voice."</p>	<p>"The Company's Governance Principles provide that ordinarily and in normal circumstances, the CEO shall also serve as Chairman of the Board."</p> <p>"During difficult transition periods or in periods of reduced investor confidence, it may be appropriate to have a non-executive Chair as a symbol of the Board's responsiveness to shareholder concerns. The Board does not recommend designating a single individual to serve as lead director or to act as a spokesperson for the Board. Instead, various individual non-management directors, particularly those who chair Committees, will chair the Executive Sessions and may be asked to speak for the Board on matters in which they are involved, for example, at Annual Meetings of Shareholders."¹</p>
	CEO serves as Chairman	<p>"The board believes that having Mr. Stephenson serve in both capacities is in the best interests of AT&T and its stockholders because it enhances communication between the Board and management and allows Mr. Stephenson to more effectively execute the Company's strategic initiatives and business plans and confront its challenges. The Board believes that the appointment of an independent Lead Director and the use of regular executive sessions of the non-management Directors, along with the Board's strong committee system and substantial majority of independent Directors, allow it to maintain effective oversight of management."</p>	None specified.
	Independent director serves as	<p>"The Board is committed to strong, independent Board Leadership and believes that objective oversight of management performance is a critical aspect of effective corporate governance."</p>	None specified.


¹ Excerpt from American Express Governance Principles obtained from corporate web site.

Survey of Enhanced Director and Nominee Disclosure

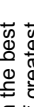

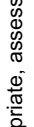

Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
 Bank of America <i>continued</i>	Board Leadership Chairman	<p>"The current structure is appropriate in response to our stockholders vote in April 2009 to approve a Bylaw amendment providing for an independent Chairman of the Board. After that, the Board, upon the recommendation of the Corporate Governance Committee, appointed independent director Dr. Massey to serve as Chairman of the Board."</p> <p>Following 2010 annual meeting, the Board will, upon recommendation from corporate governance committee, appoint independent chair for 2010 to 2011 term.</p> <p>"The Board has determined that the appropriate leadership structure for the Board at this time" is to have a combined chair while also selecting a Lead Director...to provide independent leadership."</p> <p>"The independent directors believe that our President and Chief Executive Officer's in-depth knowledge of each of our businesses and the competitive challenges each business faces, as well as his extensive experience as a director and senior member of management at other Fortune 100 companies, make him the best-qualified director to serve as Chairman."</p>	Formal policy on board leadership
 BOEING	CEO serves as Chairman	<p>"The Board has determined that the combined role of Chairman and CEO is appropriate for the Company as it promotes unified leadership and direction for the Company, allowing for a single, clear focus for management to execute the Company's strategy and business plans. This structure also avoids the added costs and inefficiencies that would result by mandating an independent Chairman. The Board believes that the governance structure and role of the Presiding Director allow the Board to effectively work with the combined role of the Chairman and CEO."</p> <p>"The Board believes the combined role of Chairman and CEO is an effective structure for the Board to understand the risks associated with the Company's strategic plans and objectives. Additionally, maintaining an independent Board with a Presiding Director permits open discussion and assessment of the Company's ability to manage these risks."</p>	<p>"As set forth in the Company's Bylaws, the Chairman of our Board is also the CEO of the Company."</p>
 CAT	CEO serves as Chairman	<p>"At present, Chevron's Board believes that it is in the stockholders' best interests for the CEO to also serve as Chairman of the Board. The Board believes that this structure fosters an important unity of leadership between the Board and the Company and enables the Board to organize its functions and conduct its business in the most efficient and effective manner. Chevron's stockholders agreed with this approach in 2007 and 2008, when they considered and voted on stockholder proposals to separate the roles of Board Chairman and CEO."</p>	<p>The Board Nominating and Governance Committee conducts an annual assessment of Chevron's corporate governance structures and processes, which includes a review of Chevron's board leadership structure and whether combining or separating the roles of Chairman and CEO is in the best interests of Chevron's stockholders.</p> <p>Bylaws provide that the Board's independent directors select the Chairman of the Board annually.²</p>
 Chevron	CEO serves as Chairman	<p>None specified.</p>	<p>Corporate Governance Policies provide that "both independent and management directors, including the CEO, are eligible for appointment as the Chair."</p>
 CISCO SYSTEMS Proxy filing precedes effective date of new SEC disclosure rules.	CEO serves as Chairman		

² Information obtained from corporate web site.





Survey of Enhanced Director and Nominee Disclosure

Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
	<p>Independent director serves as Chairman</p>	<p>"Citi currently has an independent chairman separate from the CEO. The board believes it is important to maintain flexibility in its board leadership structure and has had in place different leadership structures over the past few years, depending on the company's needs at the time, but firmly supports having an independent director in a board leadership position at all times."</p> <p>"Having an independent chairman or lead director enables non-management directors to raise issues and concerns for board consideration without immediately involving management."</p>	<p>Bylaws provide that if the chairman is not independent, the board shall elect a lead independent director, "having similar duties to an independent chairman, including leading the executive sessions of the non-management directors at board meetings."</p>
	<p>CEO serves as Chairman</p>	<p>"The Company's business is complex and our products are sold in more than 200 countries around the world. Because the Chief Executive Officer travels extensively and is closest to the many facets of our business, the Board believes the Chief Executive Officer is in the best position to lead most effectively and to serve in the critical role of Chairman of the Board. In addition, as he is directly involved in managing the Company, having a Chairman who also serves as the Chief Executive Officer allows timely communication with the Board on critical business matters given the complexity and global reach of our business. Further, most of the Company's products are manufactured and sold by bottling partners around the world, most of which are separate, unconsolidated companies. This franchise structure requires our leader to have strong relationships with the leaders of the bottlers. Having a single person in both roles is important so that the Company is represented by a single voice to bottlers, customers and consumers... The Board also believes there is a very well-functioning and effective balance between strong Company leadership and appropriate safeguards and oversight by non-employee Directors."</p>	<p>"Our governance documents provide the Board with flexibility to select the appropriate leadership structure for the Company."</p>
	<p>CEO serves as Chairman</p>	<p>"At this time, the Board believes that the best interests of the Company are served by having a single Chair/CEO."</p> <p>"The Board appreciates that any advantages gained by having a single Chair/CEO must be weighed against any associated independence concerns. However, the Company has implemented adequate safeguards to address those concerns."</p>	<p>"The positions of Chair of the Board and CEO are held by the same person, except in specific circumstances."</p>
	<p>CEO serves as Chairman</p>	<p>"The Board believes the interests of all shareholders are best served at the present time through a leadership model with a combined Chairman/CEO position and an independent Presiding Director. However, the Board retains authority to amend the By-Laws to separate the positions of Chairman and CEO at any time."</p> <p>"The current CEO possesses an in-depth knowledge of the Company, its integrated, multinational operations, the evolving energy industry supply and demand, and the array of challenges to be faced, gained through over 34 years of successful experience in progressively more senior positions, including domestic and international responsibilities."</p> <p>The Board believes that these experiences and other insights put the CEO in the best position to provide broad leadership for the Board as it considers strategy and as it exercises its fiduciary responsibilities to its shareholders."</p>	<p>"The Company's Bylaws currently provide that, subject to the authority of the Board of Directors, the Chairman of the Board shall have the general care and supervision of the business and affairs of the corporation," and in the absence of a President, shall also direct the current administration of the business and affairs of the corporation."</p>

Survey of Enhanced Director and Nominee Disclosure






Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
	CEO serves as Chairman	<p>"We believe that this structure is appropriate for the company because it allows one person to speak for and lead the company and the board, while also providing for effective oversight by an independent board through an independent presiding director.</p> <p>For a company as large and diverse as GE, we believe the CEO is in the best position to focus the independent directors' attention on the issues of greatest importance to the company and its shareholders. Our overall corporate governance policies and practices combined with the strength of our independent directors minimizes any potential conflicts that may result from combining the roles of CEO and Chair. In our view, splitting the roles would potentially have the undesirable consequence of making our management and governance processes less effective than they are today through undesirable duplication of work and, in the worst case, leading to a blurring of the clear lines of accountability and responsibility, without any clear offsetting benefits."</p>	None specified.
	CEO serves as Chairman	<p>"Our Board does not have a policy on whether the role of Chairman and CEO should be separate or combined, but believes that the most effective leadership model for our firm at this time is to have these roles combined. This board leadership structure helps to ensure clarity regarding leadership of our firm and allows us to speak with one voice. Our Chairman and CEO thus can serve as the focal point for information and communications from us to shareholders, regulators and other external constituencies. The combination of our Chairman's ability to call and set the agenda for Board meetings with the CEO's intimate knowledge of our business provides the best structure for the efficient operation of our Board process and effective leadership of our Board overall. This is particularly true in times of market turmoil or crisis, when our Board must act with great urgency. Nevertheless, our Board, when appropriate, assesses and deliberates the merits of this structure."</p>	<p>"Our Board does not have a policy on whether the role of Chairman and CEO should be separate or combined."</p>
	CEO serves as Chairman	<p>None specified.</p>	<p>"HP's Corporate Governance principles provide that the independent directors will designate a lead independent director when the positions of Chairman and CEO are held by the same person."</p>
	CEO serves as Chairman	<p>"We believe that having a combined Chairman/CEO, independent members and chairs for each of our Board committees and an independent Lead Director currently provides the best board leadership structure for The Home Depot. This structure, together with our other good corporate governance practices, provides strong independent oversight of management while ensuring clear strategic alignment throughout the Company. Specifically, [our CEO/Chairman] proposes strategic priorities to the Board (with input from the Lead Director), communicates its guidance to management, and is ultimately responsible for implementing the Company's key strategic initiatives."</p>	None specified.
	Independent director serves as Chairman	<p>"The Board believes that there may be advantages to having an independent chairman for matters such as communications and relations between the Board, the CEO, and other senior management; in assisting the Board in reaching consensus on particular strategies and policies; and in facilitating robust director, Board, and CEO evaluation processes."</p>	<p>Since 2009, the Board elected an independent director as Chairman.</p> <p>"Historically, the Board has had a general policy that the positions of Chairman of the Board and CEO should be held by separate persons as an aid in the Board's oversight of management... Typically, in the past, the Chairman has been a former CEO of the company and has served as a full-time senior executive."</p>

Survey of Enhanced Director and Nominee Disclosure





Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
	CEO serves as Chairman	<p>"The Directors and Corporate Governance Committee and the Board believe that the leadership structure is appropriate for the company at this time as it provides for focused engagement by the board committees and their chairs in their respective areas of responsibility, while also providing for engagement and participation by all board members with respect to items presented for deliberation."</p>	None specified.
	CEO serves as Chairman	<p>"The independent Directors believe that the Company's current model of the combined Chairman/CEO role in conjunction with the Presiding Director position is the appropriate leadership structure for Johnson & Johnson at this time."</p> <p>"The independent Directors believe the combined Chairman/CEO position, together with the Presiding Director, has certain advantages over other board leadership structures that continue to best meet the Company's current needs, including:</p> <ul style="list-style-type: none"> • Efficient communication between management and the Board • Clear delineation of the Presiding Director's and other independent Directors' oversight role from the Chairman/CEO's and other management's day-to-day operational role • Clarity for the Company's key stakeholders on corporate leadership and accountability • The Board Chairman possessing the best knowledge of the Company's strategy, operations and financial condition and, in turn, the ability to communicate that to external stakeholders." 	<p>"The independent Directors believe that each of the possible leadership structures for a board has its particular pros and cons, which must be considered in the context of the specific circumstances, culture and challenges facing a company, and that such consideration falls squarely on the shoulders of a company's board and necessitates a diversity of views and experiences. The combined Chairman/CEO model is a leadership model that has served our shareholders well for many generations, through numerous economic cycles and through a succession of effective leaders. The Nominating & Corporate Governance Committee and the other independent Directors periodically review this structure to ensure it is still appropriate for the Company. Since 2002, the board has had an independent Presiding Director who is selected annually by the independent directors."</p>
	CEO serves as Chairman	<p>"The [Board had determined that the] most effective leadership model for our Firm currently is that Mr. Dimon serve as both Chairman and Chief Executive Officer."</p>	<p>"The Board has no set policy on whether or not to have a non-executive Chairman."</p>
	CEO serves as Chairman	<p>"The Board concluded that the Chief Executive Officer should also serve as Chairman and because of Ms. Rosenfeld's extensive knowledge of Kraft Foods and the food industry, leadership experience, and dedication to working closely with other members of the board. Ms. Rosenfeld's first-hand knowledge as Chief Executive Officer facilitates the board decision-making process because she chairs the board meetings where the board discusses strategic and business issues."</p>	<p>"The Board believes that is in the best interests of Kraft Foods for the Board to periodically evaluate the leadership structure of our company and make a determination regarding whether to separate or combine the roles of Chairman and Chief Executive Officer based on circumstances at the time of its decision."</p>
	Independent director serves as Chairman	<p>Led by independent chairman since 2004. Separation of the roles was first implemented to facilitate a transition to a new CEO after the untimely death of previous Chairman and CEO at a time when McDonald's was in the early stages of implementing its new business strategy. "Independent leadership of the board allowed management to focus fully on operations during this period. At the same time, it assured that the CEO had an appropriately strong counterpart on the board when considering the challenges associated with a change in strategy. The board has retained this structure because it has worked well to assure constructive engagement with the CEO and effective oversight of management as a whole."</p>	<p>Corporate Governance Principles provide that the "independent Directors will exercise their discretion in combining or separating the positions of Chairman and CEO, as they deem appropriate in light of the Company's prevailing circumstances."³</p>
	CEO serves as Chairman	<p>"The Board believes that the Company and its shareholders are well-served by the Board's current leadership structure. Having one person serve as both Chairman of the Board and President and Chief Executive Officer of the Company provides clear leadership for the Company and helps ensure accountability for the successes and failures of the Company. At the same time, having an independent Lead Director vested with key duties and responsibilities and six independent Board committees</p>	None specified.

³ Excerpt from McDonald's Corporate Governance Principles obtained from corporate web site.

Survey of Enhanced Director and Nominee Disclosure

Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
 <p>Proxy filing precedes effective date of new SEC disclosure rules.</p>	<p>Former CEO serves as Chairman</p>	<p>chaired by independent directors provides a formal structure for strong independent oversight of the Chairman and the rest of the Company's management team."</p> <p>"Since 2000, the roles of chairman and chief executive officer have been held separately. Mr. Gates serves as Chairman and Mr. Ballmer serve as Chief Executive Officer. The Chair of our Governance and Nominating Committee serves as the Lead Independent Director."</p>	<p>None specified.</p>
	<p>Former CEO serves as Chairman</p>	<p>"Historically, the positions of Chief Executive Officer and Chairman were held by the same individual. As a result of Mr. Mack's discussion with the Board about stepping down as Chief Executive Officer and as part of its ongoing review of the Board's leadership structure and succession planning process, the Board in September 2008 determined that the positions of Chief Executive Officer and Chairman should be held by two separate individuals."</p>	<p>"The Board believes that the Company is best served by maintaining the flexibility to have any individual serve as Chair based on what is in the best interests of the Company at a given point in time, rather than mandating a particular leadership structure. In making this decision, the Board considers, among other things, the composition of the Board, the role of the Company's Lead Director, the Company's strong corporate governance practices, the Chief Executive Officer's working relationship with the Board, and the challenges specific to the Company."</p> <p>Corporate Governance Policies provide for an independent and active Lead Director with clearly defined leadership authority and responsibilities.</p>
	<p>CEO serves as Chairman</p>	<p>"The board has determined that Jeffrey Kindler serving as CEO and Chairman is optimal for the company because it provides the company strong and consistent leadership. Given the current regulatory and market environment, coupled with the ongoing integration of Wyeth, the company believes having one leader serving as both Chairman and CEO provides decisive and effective leadership."</p>	<p>"The Board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management... Consistent with this understanding, the independent directors consider the Board's leadership structure on an annual basis. This consideration includes the pros and cons of alternative leadership structures in light of the Company's operating and governance environment at the time, with the goal of achieving the optimal model for effective oversight of management by the Board."</p> <p>Corporate governance principles specify that independent directors will annually elect a Chairman, who may or may not be the CEO. If the Chairman is the CEO, the independent directors will also elect a lead independent director. See Charter of the Lead Independent Director. In 2010, the company amended its corporate governance principles to remove the presumption that the role of Chairman will be held by the CEO.</p>
 <p>Proxy filing precedes effective date of new SEC disclosure rules.</p>	<p>Former CEO serves as Chair</p>	<p>None specified.</p>	<p>"The Chair will be appointed by vote of a majority of non-employee members of the Board... if the Board Chair is the Chief Executive of the Company, then one of the independent members of the Board will be named as Presiding Director."</p>
	<p>CEO serves as Chair</p>	<p>"The Board believes that its current leadership structure is appropriate for the Company at this time... the combined role of Chairman and Chief Executive Officer, in the case of the Company, means that the Chair of the Board has longstanding experience with property and casualty insurance and ongoing executive responsibility for the Company. In the Board's view, this enables the Board to better understand the Company and work with management to enhance shareholder value... and fulfill its risk oversight responsibilities. In addition, this enables the Chief Executive Officer to effectively communicate the Board's view to management thereby ensuring a common purpose."</p>	<p>"Appropriate leadership structure depends on the opportunities and challenges facing a company at a given time, and a one-size-fits-all approach to corporate governance, with a mandated independent chair, would deprive the company of the benefits of its current leadership structure and would not result in better governance or oversight."</p> <p>Corporate Governance guidelines provide for lead director whenever Chair is not independent. Lead director is elected by secret ballot of</p>

Survey of Enhanced Director and Nominee Disclosure

Company	Board Leadership	Rationale given for combined position or independent chair	Formal policy on board leadership
	CEO serves as Chair	<p>"In the context of UTC's global and diverse operations, UTC's combined leadership structure provides important benefits through effective internal and external communication of critical strategies and business priorities."</p> <p>"The Board believes UTC's unitary leadership structure is appropriately balanced by the designation of a Lead Director role and the independence of twelve of UTC's thirteen directors."</p>	<p>independent directors and may not serve as Lead for more than five years.</p> <p>"UTC's Governance Guidelines state that there is no fixed policy on whether the roles of Chairman of the Board and Chief Executive Officer should be separate or combined, with this decision to be made based on the best interests of UTC considering the circumstances at the time."</p>
	CEO serves as Chair	<p>"The Board believes that Verizon and its shareholders are best served by having a Chairman who has a wide-ranging, in-depth knowledge of Verizon's business operations and competitive landscape and who can best identify the strategic issues to be considered by the Board." Based on his extensive experience and knowledge of Verizon's competitive challenges and opportunities, the board has determined that the CEO is best qualified to serve in that role.</p> <p>"The Board believes that shareholder are best served by the Board's current leadership structure, because the Corporate Governance Guidelines and the Company's policies and procedures provide for an empowered, independent Presiding Director and the full involvement of the independent members of the Board in the Board's operations and its decision making."</p>	None specified.
	Former executive serves as Chair	<p>"We separate the roles of CEO and Chairman in recognition of the differences between the two roles."</p> <p>"By separating the roles of CEO and Chairman, the CEO is able to focus his time and energy on managing Walmart's complex daily operations."</p>	Bylaws specify that CEO is responsible for general management, oversight, supervision and control of the business and affairs of the company, and ensuring that all orders and resolutions of the board are carried into effect. Chairman is charged with presiding over all meetings of the board and shareholders, and providing advice and counsel to the CEO and company's other officers regarding business and operations.
 Proxy filing precedes effective date of new SEC disclosure rules.	Independent director serves as Chair	Preserves distinction between management and oversight, maintaining responsibility of management to develop corporate strategy and responsibility of the board to review and express its views on corporate strategy.	"The Company's Corporate Governance Guidelines specify that the Chairman of the Board will be an independent director unless the Board determines that the best interests of the shareholders would be otherwise better served, in which case the board will disclose in the company's proxy statement the reasons for a different arrangement and appoint an independent director as lead director with duties and responsibilities detailed in the corporate governance guidelines."



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