

2011 Spencer Stuart Board Index Focuses on Board Composition, Organization and Process and Director Compensation

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The latest [Spencer Stuart Board Index](#) (November 2011) finds that three-fourths of S&P 500 companies require annual election for directors and 79% have some form of majority voting. 41% of boards, almost double the percentage from 10 years ago, now split the roles of chairman and CEO, with 21% of those having truly independent chairs. 18 companies disclose a formal policy requiring separation of the two positions.

The Index highlights that this year saw the smallest increase of new directors being added in a decade, and nearly a quarter of those members are first-timers on public company boards. Less than a quarter of directors are active CEOs, as more than half of active CEOs do not serve on an outside board.

The survey provides a useful benchmark for companies evaluating their governance guidelines, finding that 81% have policies requiring board resignation upon a change in circumstances and 74% now restrict the number of other corporate directorships for their board members. 73% of these companies establish a mandatory retirement age, with 55% of the policies set at age 72. Only 4% mandate term limits for their boards.

Boards met an average of 8.2 times while audit committees met an average of 8.7 times. Nearly 70% of companies have more than three standing committees (most often an executive or finance committee). Only 37% of companies pay meeting fees, a 20% decline from 2006. Healthcare and energy companies provide more director compensation than other industries, while the West Coast leads other regions in having the highest director compensation at an average of \$295,356.

The five- and ten-year trends in the Index are an interesting study on evolving notions of corporate governance “best practices” and the comparative board data gives some company-specific details for additional benchmarking.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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