

Board Trends at the S&P 1500

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The latest issue of ISS Board Practices reflect incremental but meaningful changes in several key governance areas. For the first time, just slightly more than half (51%) of S&P 1500 companies have two people serving as CEO and chairman. Stark differences divide companies depending on size, as 30% of mid-caps are led by independent chairs compared to only 22% of large-cap companies. The largest companies are more likely to have lead directors, however. As a reminder that ISS policies do not always coincide with company determinations, 17% of the chairmen that companies consider to be independent are deemed “affiliated” by ISS.

10.8 years is the average director tenure in 2013, up from 8.7 five years ago, with little differences among the S&P groups, although 36 companies had average director tenure of over 20 years. In addition, 20 individual directors have served for over 50 consecutive years on their boards. Since director tenure is a policy matter that ISS is considering, the report claims that director independence tends to drop significantly at companies with average board tenure of greater than 15 years and those companies are also less likely to have an independent board chair and majority vote standards, although there is little correlation with whether a board is classified.

When it comes to director election matters, it is no surprise that bigger companies are much more likely to have adopted majority voting (82%) and annual elections (70%). The trends remain slower for both at mid-caps, where only 46% require directors to be elected by a majority and 57% have declassified their boards. It is notable though that for every group of S&P companies, there is a steady rise toward changing to these practices in the last five years, and that trend is likely to continue.

With respect to individual director profiles, nearly 29% of directors serving are retired, on average sit on two boards and is 63 years old. 335 companies do not have any female directors.

11% of all directorships in 2013 were filled by individuals who had not previously served on any boards. These new directors tend to be employed, tend to be younger on average by about five years, and sit on only one board.

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.

Ning Chiu

+1 212 450 4908

ning.chiu@davispolk.com

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