

Board Practices at S&P 500 Companies

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For the first time, almost half of newly elected directors are retired, according to the 2013 Spencer Stuart Board [Index](#) released this month that focuses on directors at S&P 500 companies. One reason may be that 53% of current CEO's do not serve on any corporate boards other than their own. The pool of new recruits is expanding, however, with 38% of board members acting as first-time directors at any public companies. In addition, boards are looking beyond active CEOs, COOs, presidents and vice chairmen. Division or subsidiary presidents and other functional leaders now make up more than 21% of new directors. Independence continues to be prized, with the CEO as the only non-independent director at 60% of companies.

Mandatory retirement age is rising. The vast majority of companies sets retirement age at 72 or older, making 63 the average age for directors. Director tenure has become a hot topic, but only 3% of boards specify term limits. The average tenure for current board members is between 6 to 10 years, though one director has been serving on his board for 50 years. Another flash point has been board diversity. Women make up 18% of directors at S&P 500 companies, a 1% increase in the past year. 93% of the companies have at least one female director.

The governance structure of the S&P 500 companies represent significant victories for activist concerns. 91% have declassified their boards, a big leap from less than half just 10 years ago. 45% have separated the chair and CEO roles, though only a quarter have a truly independent chair. Former CEO's often serve as the chair for some time after stepping down. 84% of companies have majority voting for elections, followed with director resignation if a director does not achieve the requisite level of support.

A number of board policies have become commonplace. 87% require directors who experience job changes to offer their resignation, though only 35% mandate that the CEO submit a resignation when the executive's employment ends. More than three-quarters of the companies restrict other corporate directorships, with most limiting the number at three or four other boards. 98% discuss board evaluations, but only 33% examine the board, committees and individual directors. Most companies use surveys or questionnaires, followed by interviews.

72% report having more than three board committees. Beyond audit, nominating and compensation, executive and finance committees are the most common. There appears to be a trend toward having active or retired finance executives chairing audit committees rather than active CEOs. The Index also provides director compensation information in both summary form and a detailed breakdown by company.

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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