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Annual Corporate Directors Survey

The 2010 results

The PwC logo is located at the bottom left of the page. It consists of the lowercase letters 'pwc' in a bold, black, sans-serif font. A small red horizontal line is positioned above the 'p'.

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Introduction

In April 2010, 10,000 US corporate board members received the 2010 Annual Corporate Directors Survey (formerly know as *What Directors Think*) research study questionnaire. Surveys were returned by 1,110 corporate board members for an 11.1% response rate. 819 separate boards are represented among these 1,110 directors. In the following pages you will find the results of the survey on a question-by-question basis.

Highlights of the survey findings:

- Directors believe the three most important factors that should be considered by compensation committees to improve CEO pay policies are: (1) ensure peer group companies are realistic, (2) re-evaluate compensation benchmarks, and (3) set minimum stock ownership guidelines and holding periods. It is interesting to note, none of these factors was considered as part of the Dodd-Frank Act.
- Of the new proxy disclosures required in 2010, directors believe the disclosures on (1) board oversight of risk, and (2) qualifications and experiences of directors provide the most value to investors.
- Over ninety-seven percent of responding directors believe the audit committee is effective or very effective in its ability to monitor accurate financial reporting.
- The most important "red flag" for directors to step up their board involvement is an earnings restatement. Ninety-five percent of directors listed this as important or very important.

Many questions in this study are structured on a 5-point answering scale. Typically the 1s and 2s are grouped together to represent one end of the scale and 4s and 5s are grouped together to represent the other. As with many surveys, some totals may not add to 100 due to rounding.

Later this year, PwC will issue a separate document with its insights on the survey. When released, that document will be available within PwC's Center for Board Governance website , www.pwc.com/us/CenterForBoardGovernance.

Survey results

1. How much value do you believe the following new year-end SEC proxy disclosure rules provide to investors? 1= Extremely valuable, 5 = Not at all valuable

	Count	Mean
Defining board diversity	1105	3.59
Board leadership structure - CEO/chair positions	1103	2.70
Board involvement in risk oversight	1102	2.31
Qualifications and experiences of directors	1104	2.31
Any link between compensation and material risk	1102	2.70
Valuation of equity compensation awards	1102	2.69
Compensation consultant's fee disclosure	1104	3.10

Survey results

Question 1 responses and grouped data

		Count	Frequency	Grouping 1&2, 4 & 5 data
Defining board diversity	extremely valuable	27	2.4%	15.9%
	2	149	13.5%	
	3	329	29.8%	
	4	345	31.2%	54.3%
	not at all valuable	255	23.1%	
	Total	1105	100.0%	
Board leadership structure – CEO/ chair positions	extremely valuable	128	11.6%	47.0%
	2	390	35.4%	
	3	333	30.2%	
	4	185	16.8%	22.9%
	not at all valuable	67	6.1%	
	Total	1103	100.0%	
Board involvement in risk oversight	extremely valuable	217	19.7%	63.3%
	2	481	43.6%	
	3	277	25.1%	
	4	98	8.9%	11.5%
	not at all valuable	29	2.6%	
	Total	1102	100.0%	
Qualifications and experiences of directors	extremely valuable	222	20.1%	63.7%
	2	481	43.6%	
	3	267	24.2%	
	4	100	9.1%	12.2%
	not at all valuable	34	3.1%	
	Total	1104	100.0%	

Survey results

Question 1 responses and grouped data, continued

		Count	Frequency	Grouping 1&2, 4& 5 data
Any link between compensation and material risk	extremely valuable	109	9.9%	44.7%
	2	384	34.8%	
	3	398	36.1%	
	4	158	14.3%	19.1%
	not at all valuable	53	4.8%	
	Total	1102	100.0%	
Valuation of equity compensation awards	extremely valuable	93	8.4%	45.5%
	2	409	37.1%	
	3	394	35.8%	
	4	156	14.2%	18.7%
	not at all valuable	50	4.5%	
	Total	1102	100.0%	
Compensation consultant's fee disclosure	extremely valuable	69	6.3%	30.0%
	2	262	23.7%	
	3	373	33.8%	
	4	293	26.5%	36.2%
	not at all valuable	107	9.7%	
	Total	1104	100.0%	

Survey results

2. Did the discussion about the new proxy disclosure rule on compensation policies and practices that create “material” risks result in any surprises to your board about how some individuals or groups in the company are compensated?

	Count	Frequency
yes	14	1.7%
no	747	91.3%
n/a - we have not had the discussion yet	57	7.0%
Total	818	100.0%

3. Did the discussion about the new proxy disclosure rule on director and nominee experience, qualifications, attributes or skills cause your board to re-think the mix of directors currently on the board?

	Count	Frequency
yes, and action has already been taken to ensure the right mix of competencies	24	2.9%
yes, and action is planned for future director elections	66	8.1%
yes, but no action was taken or is expected	74	9.0%
no	626	76.4%
n/a - we have not had the discussion yet	29	3.5%
Total	819	100.0%

Survey results

4. Did the discussion about the new proxy disclosure rule on why your current company/board leadership model is the best for your company result in the board re-thinking its position on this issue?

	Count	Frequency
yes, and we plan to separate the CEO/chair position in the near term	9	1.1%
yes, and we plan to separate the CEO/chair positions when we hire the next CEO	15	1.8%
yes, though no action is planned	57	7.0%
no, the board is satisfied with the current combined CEO/chair role	376	46.0%
no, the board is satisfied with the current split CEO/chair role	325	39.8%
n/a - we have not had this discussion yet	35	4.3%
Total	817	100.0%

5. Which of the following groups do you believe influence your board the most? (Select only one)

	Count	Frequency
activist hedge funds	20	1.9%
analysts	142	13.3%
institutional investors	381	35.6%
plaintiffs bar	8	.7%
media	10	.9%
Institutional Shareholder Services (ISS) and proxy advisors	201	18.8%
government regulators	253	23.6%
politicians	11	1.0%
credit rating agencies	44	4.1%
Total	1070	100.0%

Survey results

6. Would you be prepared to answer if a shareholder at the company's annual meeting asked your opinion of the company's strategy?

	Count	Frequency
yes	1045	94.8%
no	57	5.2%
Total	1102	100.0%

7. During the last 12 months, has your board discussed an action plan that would outline the steps your company would take should it face a major crisis?

	Count	Frequency
yes	542	66.5%
no	273	33.5%
Total	815	100.0%

8. Typically, how long are your full-board meetings?

	Count	Frequency
2 hours or less	18	2.2%
2-4 hours	147	18.0%
4-6 hours	336	41.1%
6-8 hours	201	24.6%
8-10 hours	75	9.3%
more than 10 hours	39	4.8%
Total	816	100.0%

Survey results

9. Please indicate if you would like your board to devote more time this year on the following board matters:

		Count	Frequency	Grouping More, No change
Meeting managers from key parts of the company	yes, much more time and focus than in the past	108	9.8%	50.3%
	yes, but not a great increase from the past	446	40.5%	
	no change, it's already a major focus	455	41.3%	49.6%
	no, I don't expect any change	91	8.3%	
	no, we will decrease our time and focus	1	.1%	
	Total	1101	100.0%	
Visiting company work sites	yes, much more time and focus than in the past	87	7.9%	40.8%
	yes, but not a great increase from the past	364	32.9%	
	no change, it's already a major focus	240	21.7%	58.6%
	no, I don't expect any change	408	36.9%	
	no, we will decrease our time and focus	6	.5%	
	Total	1105	100.0%	
Strategic planning	yes, much more time and focus than in the past	225	20.4%	58.9%
	yes, but not a great increase from the past	425	38.5%	
	no, change it's already a major focus	412	37.3%	41.0%
	no, I don't expect any change	41	3.7%	
	no, we will decrease our time and focus	1	.1%	
	Total	1104	100.0%	

Survey results

Question 9 responses, continued

		Count	Frequency	Grouping More, No change
Succession planning	yes, much more time and focus than in the past	185	16.7%	50.4%
	yes, but not a great increase from the past	373	33.7%	
	no change, it's already a major focus	436	39.4%	49.3%
	no, I don't expect any change	109	9.9%	
	no, we will decrease our time and focus	3	.3%	
	Total	1106	100%	
Risk management	yes, much more time and focus than in the past	158	14.3%	56.6%
	yes, but not a great increase from the past	466	42.3%	
	no change, it's already a major focus	387	35.1%	43.2
	no, I don't expect any change	89	8.1%	
	no, we will decrease our time and focus	2	.2%	
	Total	1102	100%	
Discussing the industry	yes, much more time and focus than in the past	80	7.2%	39.5%
	yes, but not a great increase from the past	358	32.3%	
	no change, it's already a major focus	541	48.8%	60.4%
	no, I don't expect any change	128	11.6%	
	no, we will decrease our time and focus	1	.1%	
	Total	1108	100%	
Discussing the competition	yes, much more time and focus than in the past	84	7.6%	37.5%
	yes, but not a great increase from the past	330	29.9%	
	no change, it's already a major focus	481	43.6%	62.4%
	no, I don't expect any change	207	18.8%	
	no, we will decrease our time and focus	1	0.1%	
	Total	1103	100.0%	

Survey results

Question 9 responses, continued

		Count	Frequency	Grouping More, No change
Compliance and regulatory issues	yes, much more time and focus than in the past	54	4.9%	24.6%
	yes, but not a great increase from the past	217	19.7%	
	no change, it's already a major focus	515	46.7%	74.7%
	no, I don't expect any change	309	28.0%	
	no, we will decrease our time and focus	8	0.7%	
	Total	1103	100.0%	
Director liability issues	yes, much more time and focus than in the past	11	1.0%	10.3%
	yes, but not a great increase from the past	103	9.3%	
	no change, it's already a major focus	295	26.7%	87.5%
	no, I don't expect any change	671	60.8%	
	no, we will decrease our time and focus	23	2.1%	
	Total	1103	100.0%	
Executive compensation	yes, much more time and focus than in the past	44	4.0%	27.5%
	yes, but not a great increase from the past	259	23.5%	
	no change, it's already a major focus	572	52.0%	72.1%
	no, I don't expect any change	221	20.1%	
	no, we will decrease our time and focus	4	0.4%	
	Total	1100	100.0%	

Survey results

Question 9 responses, continued

		Count	Frequency	Grouping More, No change
Development of the company's human capital	yes, much more time and focus than in the past	71	6.4%	40.6%
	yes, but not a great increase from the past	377	34.2%	
	no change, it's already a major focus	471	42.7%	59.1%
	no, I don't expect any change	181	16.4%	
	no, we will decrease our time and focus	2	0.2%	
	Total	1102	100.0%	
Sustainability/ climate change	yes, much more time and focus than in the past	23	2.1%	15.3%
	yes, but not a great increase from the past	146	13.2%	
	no change, it's already a major focus	232	21.0%	79.1%
	no, I don't expect any change	641	58.1%	
	no, we will decrease our time and focus	62	5.6%	
	Total	1104	100.0%	
Social responsibility issues	yes, much more time and focus than in the past	12	1.1%	8.5%
	yes, but not a great increase from the past	82	7.4%	
	no change, it's already a major focus	262	23.7%	88.0%
	no, I don't expect any change	711	64.3%	
	no, we will decrease our time and focus	39	3.5%	
	Total	1106	100.0%	

Survey results

10. Do you serve on or chair any of the following committees for this board?

		Count	Frequency
Governance/ Nominating	yes, I serve	378	34.2%
	yes, I chair	175	15.8%
	no, I don't serve	553	50.0%
	Total	1106	100.0%
Compensation	yes, I serve	383	34.7%
	yes, I chair	176	15.9%
	no, I don't serve	545	49.4%
	Total	1104	100.0%
Audit	yes, I serve	403	36.5%
	yes, I chair	229	20.7%
	no, I don't serve	472	42.8%
	Total	1104	100.0%

Survey results

11. How long do committee meetings last?

		Count	Frequency
Governance/ Nominating	2 hours or less	324	79.4%
	2-4 hours	76	19.4%
	4-6 hours	5	1.2%
	all day	0	.0%
	more than one day	0	.0%
	Total		405
Compensation	2 hours or less	157	39.6%
	2-4 hours	208	52.5%
	4-6 hours	31	7.8%
	all day	0	.0%
	more than one day	0	.0%
	Total		396
Audit	2 hours or less	83	17.5%
	2-4 hours	313	66.2%
	4-6 hours	68	14.4%
	all day	9	1.9%
	more than one day	0	.0%
	Total		473

12. How would you estimate the effectiveness of your board on each of the following dimensions? 1 = very effective, 5 = not at all effective

	Count	Mean
The compensation committee's ability to properly manage CEO compensation	1100	1.77
The audit committee's ability to monitor accurate financial reporting	1099	1.34
The board's ability to monitor a risk management plan to mitigate corporate exposures	1105	2.19
The board's ability to stand up and challenge management when appropriate	1107	1.55
The board's ability to create an agenda that best uses its limited time	1106	2.03
The board's ability to complete a management succession plan	1105	2.25
The board's ability to develop and deliver the CEO's performance review	1101	1.93
The nominating/governance committee's ability to create a board with a balance of needed skills and diversity	1101	2.02

Survey results

Question 12 responses and grouped data

		Count	Frequency	Grouping 1&2, 4& 5 data
The compensation committee's ability to properly manage CEO compensation	very effective	495	45.0%	83.4%
	2	422	38.4%	
	3	136	12.4%	
	4	40	3.6%	4.2%
	not at all effective	7	0.6%	
	Total	1100	100.0%	
The audit committee's ability to monitor accurate financial reporting	very effective	758	69.0%	97.2%
	2	310	28.2%	
	3	29	2.6%	
	4	1	0.1%	0.2%
	not at all effective	1	0.1%	
	Total	1099	100.0%	
The board's ability to monitor a risk management plan to mitigate corporate exposures	very effective	185	16.7%	67.5%
	2	561	50.8%	
	3	325	29.4%	
	4	33	3.0%	3.1%
	not at all effective	1	0.1%	
	Total	1105	100.0%	
The board's ability to stand up and challenge management when appropriate	very effective	632	57.1%	90.0%
	2	364	32.9%	
	3	94	8.5%	
	4	13	1.2%	1.6%
	not at all effective	4	0.4%	
	Total	1107	100.0%	
The board's ability to create an agenda that best uses its limited time	very effective	298	26.9%	74.9%
	2	531	48.0%	
	3	231	20.9%	
	4	43	3.9%	4.2%
	not at all effective	3	0.3%	
	Total	1106	100.0%	

Survey results

Question 12 responses and grouped data, continued

		Count	Frequency	Grouping 1&2, 4& 5 data
The board's ability to complete a management succession plan	very effective	252	22.8%	61.7%
	2	430	38.9%	
	3	329	29.8%	
	4	85	7.7%	8.5%
	not at all effective	9	0.8%	
	Total	1105	100.0%	
The board's ability to develop and deliver the CEO's performance review	very effective	379	34.4%	77.9%
	2	479	43.5%	
	3	190	17.3%	
	4	43	3.9%	4.8%
	not at all effective	10	0.9%	
	Total	1101	100.0%	
The nominating/ governance committee's ability to create a board with a balance of needed skills and diversity	very effective	329	29.9%	73.5%
	2	480	43.6%	
	3	235	21.3%	
	4	51	4.6%	5.1%
	not at all effective	6	0.5%	
	Total	1101	100.0%	

Survey results

13. Does your board receive general and/or specific customer satisfaction research and is it adequate in scope and quality?

		Count	Frequency
Receive	yes	386	47.4%
	no	428	52.6%
	Total	814	100.0%
Adequate in scope	yes	300	78.5%
	no	82	21.5%
	Total	382	100.0%
Adequate in quality	yes	241	63.1%
	no	141	36.9%
	Total	382	100.0%

14. How important is each of the following “red flags” in signaling a director to step up his/her board involvement? (1 = not important, 5 = very important)

	Count	Mean
Management is missing strategic performance goals	1086	4.52
Company has to restate earnings	1092	4.76
Company is target of employee lawsuits	1086	3.98
Stock price declines	1092	3.16
Adverse 404 opinion	1069	4.14
Poor customer satisfaction track record	1082	4.12
Poor employee morale	1090	4.07
Low governance rating	1092	3.55
Multiple whistle-blower incidents	1093	4.42
Charges or investigations	1093	4.71

Survey results

Question 14 responses and data groupings

		Count	Frequency	Grouping 1&2, 4 & 5 data
Management is missing strategic performance goals	not important	10	0.9%	2.4%
	2	16	1.5%	
	3	42	3.9%	
	4	353	32.5%	93.7%
	very important	665	61.2%	
	Total	1086	100.0%	
Company has to restate earnings	not important	18	1.6%	2.3%
	2	8	0.7%	
	3	30	2.7%	
	4	106	9.7%	94.9%
	very important	930	85.2%	
	Total	1092	100.0%	
Company is target of employee lawsuits	not important	20	1.8%	6.2%
	2	48	4.4%	
	3	261	24.0%	
	4	362	33.3%	69.7%
	very important	395	36.4%	
	Total	1086	100.0%	
Stock price declines	not important	31	2.8%	19.6%
	2	183	16.8%	
	3	541	49.5%	
	4	250	22.9%	30.9%
	very important	87	8.0%	
	Total	1092	100.0%	

Survey results

Question 14 responses and data groupings, continued

		Count	Frequency	Grouping 1&2, 4& 5 data
Adverse 404 opinion	not important	13	1.2%	3.2%
	2	21	2.0%	
	3	183	17.1%	
	4	438	41.0%	79.7%
	very important	414	38.7%	
	Total	1069	100.0%	
Poor customer satisfaction track record	not important	17	1.6%	3.8%
	2	24	2.2%	
	3	171	15.8%	
	4	471	43.5%	80.4%
	very important	399	36.9%	
	Total	1082	100.0%	
Poor employee morale	not important	12	1.1%	3.6%
	2	27	2.5%	
	3	184	16.9%	
	4	518	47.5%	79.5%
	very important	349	32.0%	
	Total	1090	100.0%	
Low governance rating	not important	35	3.2%	16.8%
	2	148	13.6%	
	3	298	27.3%	
	4	402	36.8%	55.9%
	very important	209	19.1%	
	Total	1092	100.0%	
Multiple whistleblower incidents	not important	14	1.3%	2.8%
	2	16	1.5%	
	3	100	9.1%	
	4	332	30.4%	88.1%
	very important	631	57.7%	
	Total	1093	100.0%	
Charges or investigations	not important	16	1.5%	2.0%
	2	6	0.5%	
	3	37	3.4%	
	4	160	14.6%	94.6%
	very important	874	80.0%	
	Total	1093	100.0%	

Survey results

15. Does your board have a secure internet location where you can access sensitive board documents?

	Count	Frequency
yes	370	45.9%
No	436	54.1%
Total	806	100.0%

16. Would you feel comfortable holding a virtual board meeting in a secure internet environment?

	Count	Frequency
yes	771	70.2%
no	327	29.8%
Total	1098	100.0%

17. Do you believe your board should have a separate risk committee?

	Count	Frequency
yes, and we currently have a separate risk committee	121	11.0%
yes, and we plan to add a separate risk committee	25	2.3%
yes, but we don't plan to add one	81	7.4%
no, although we currently have one	22	2.0%
no	777	70.7%
unsure	73	6.6%
Total	1099	100.0%

Survey results

18. Which of the following best describes your company's program for compliance with the Foreign Corrupt Practices Act (FCPA)?

	Count	Frequency
the company has a program that educates employees and agents on FCPA compliance	331	41.0%
the company has a program that educates employees only on FCPA compliance	156	19.3%
the company does not have such a program	199	24.7%
unsure	121	15.0%
Total	807	100.0%

19. Are you confident that your company's Foreign Corrupt Practices Act compliance program will protect the company should a violation occur?

	Count	Frequency
yes	502	56.7%
no	40	4.5%
unsure	343	38.8%
Total	885	100.0%

20. In the last 12 months, do you feel your risk as a director has:

	Count	Frequency
increased	353	32.1%
decreased	56	5.1%
remained the same	692	62.9%
Total	1101	100.0%

Survey results

21. How satisfied are you with your understanding of your liability coverage at your company?

		Count	Frequency
	completely satisfied	555	50.5%
	somewhat satisfied	518	47.1%
	not at all satisfied	20	1.8%
	not sure	7	.6%
	Total	1100	100.0%

22. Do you understand the three basic insuring agreements housed in the D&O policy commonly referred to as Side A, Side B, and Side C?

		Count	Frequency
	yes	790	72.1%
	no	305	27.9%
	Total	1095	100.0%

23. Do you think there is a shortage of qualified directors for today's companies?

		Count	Frequency
	yes	493	45.0%
	no	602	55.0%
	Total	1095	100.0%

Survey results

24. What process will your board use to recruit future directors?

		Count	Frequency
Fee-based recruiting firm	yes	458	56.3%
	no	355	43.7%
	Total	813	100.0%
Board contacts	yes	701	86.2%
	no	112	13.8%
	Total	813	100.0%
Management contacts	yes	434	53.4%
	no	379	46.6%
	Total	813	100.0%
Industry/ association network	yes	225	27.7%
	no	588	72.3%
	Total	813	100.0%

25. In selecting your next new director(s), who will have the most influence in determining nominees?

		Count	Frequency
	CEO	98	12.1%
	chairperson, if not the CEO	57	7.1%
	nominating/governance committee	434	53.8%
	full board	208	25.8%
	executive search firm	4	.5%
	other	6	.7%
	Total	807	100.0%

Survey results

26. Describe your board's experience when adding directors with the following skill sets/attributes:

		Count	Frequency
International expertise	very difficult	78	9.8%
	somewhat difficult	306	38.3%
	not at all difficult	142	17.8%
	not looking for that skill/attribute	274	34.3%
	Total	800	100.0%
Technology expertise	very difficult	53	6.6%
	somewhat difficult	348	43.3%
	not at all difficult	250	31.1%
	not looking for the skill/attribute	152	18.9%
	Total	803	100.0%
Financial expertise	very difficult	24	3.0%
	somewhat difficult	233	29.0%
	not at all difficult	529	65.9%
	not looking for that skill/attribute	17	2.1%
	Total	803	100.0%
Marketing expertise	very difficult	24	3.0%
	somewhat difficult	288	35.9%
	not at all difficult	370	46.1%
	not looking for that skill/attribute	121	15.1%
	Total	803	100.0%

Survey results

Question 26 ,continued

		Count	Frequency
Legal expertise	very difficult	5	.6%
	somewhat difficult	96	11.9%
	not at all difficult	479	59.4%
	not looking for that skill/attribute	226	28.0%
	Total	806	100.0%
Human resources expertise	very difficult	10	1.2%
	somewhat difficult	188	23.4%
	not at all difficult	377	47.0%
	not looking for that skill/attribute	227	28.3%
	Total	802	100.0%
Gender diversity	very difficult	96	11.9%
	somewhat difficult	331	41.2%
	not at all difficult	277	34.5%
	not looking for that skill/attribute	100	12.4%
	Total	804	100.0%
Racial diversity	very difficult	206	25.6%
	somewhat difficult	306	38.0%
	not at all difficult	179	22.2%
	not looking for the skill/attribute	114	14.2%
	Total	805	100.0%

Survey results

27. Should all directors be required to attend some level of board education training?

	Count	Frequency
yes	860	78.0%
no	242	22.0%
Total	1102	100.0%

28. Does your company have a formal budget for board education?

	Count	Frequency
yes	298	36.8%
no	512	63.2%
Total	810	100.0%

29. How did the board conduct the annual board evaluation process this year?

	Count	Frequency	
Interviews – administered internally	yes	265	32.6%
	no	547	67.4%
	Total	812	100.0%
Interviews - administered by an outside party	yes	75	9.2%
	no	737	90.8%
	Total	812	100.0%
Survey – administered internally	yes	553	68.1%
	no	259	31.9%
	Total	812	100.0%
Survey - administered by an outside party	yes	128	15.8%
	no	684	84.4%
	Total	812	100.0%
Other – administered internally	yes	31	3.8%
	no	781	96.2%
	Total	812	100.0%
Other - administered by an outside party	yes	4	.5%
	no	808	99.5%
	Total	812	100.0%
N/A - Do not conduct board performance evaluations	yes	32	3.9%
	no	780	96.1%
	Total	812	100.0%

Survey results

30. Were any changes made to the board policies or practices as a result of the most recent annual board evaluations?

	Count	Frequency
some minor enhancements were made, but no significant changes	406	51.3%
at least one major change was made	57	7.2%
several changes, major and minor were made	57	7.2%
no changes were made	271	34.3%
Total	791	100.0%

31. How effective is the evaluation of individual directors?

	Count	Frequency
very effective	67	8.3%
effective	246	30.3%
somewhat effective	241	29.7%
ineffective	72	8.9%
very ineffective	12	1.5%
n/a - do no conduct individual director evaluations	173	21.3%
Total	811	100.0%

32. Which of the following techniques is most important in ensuring directors continue to be effective on the board?

	Count	Frequency
term limits	43	4.0%
mandatory retirement age	96	8.8%
effective board evaluation process	882	81.1%
other	67	6.2%
Total	1088	100.0%

Survey results

33. Are you satisfied with your company's succession plan?

	Count	Frequency
yes	764	69.5%
no	336	30.5%
Total	1100	100.0%

34. Do you believe your director compensation should change?

	Count	Frequency
yes, it should increase by over 25%	121	11.0%
yes, it should increase but by less than 25%	373	33.8%
yes, it should decrease	25	2.3%
no, it should stay the same	583	52.9%
Total	1102	100.0%

35. In general, do you believe US company boards are having trouble controlling the size of CEO compensation?

	Count	Frequency
yes	641	58.0%
no	375	33.9%
not sure	89	8.1%
Total	1105	100.0%

Survey results

36. Do you believe shareholders should have a vote in approving CEO compensation packages?*

	Count	Frequency
yes, and our shareholders already have a vote	14	1.3%
yes, and we plan to give our shareholders a vote within the next year	20	1.8%
yes, but we do not currently give shareholders a vote and do not plan to change our policy at this time	160	14.5%
no, although we do give our shareholders a vote	71	6.5%
no	835	75.9%
Total	1100	100.0%

37. Please rate the importance of the following factors being considered by the compensation committee for the purpose of improving CEO pay policies: 1 = very important, 5 = not at all important)*

	Count	Frequency
Re-evaluate compensation benchmarks	1076	1.85
Review internal equity relationships between CEO and other senior executives	1080	2.44
Review the independence of the compensation consultant	1077	2.60
Include clawbacks in executive compensation packages	1078	2.56
Ensure peer group companies are realistic	1080	1.79
Perform a compensation risk assessment	1078	2.69
Reduce severance package	1077	2.96
Set minimum stock ownership guidelines and/or holding periods	1080	2.26

* - The survey pre-dates passage of the Dodd-Frank Act.

Survey results

Question 37 responses and grouped data results

		Count	Frequency	Grouping 1&2, 4& 5 data
Re-evaluate compensation benchmarks	very important	399	37.1%	82.4%
	2	487	45.3%	
	3	154	14.3%	
	4	27	2.5%	3.3%
	not important	9	0.8%	
	Total	1076	100.0%	
Review internal equity relationships between CEO and other senior executives	very important	174	16.1%	55.5%
	2	426	39.4%	
	3	349	32.3%	
	4	91	8.4%	12.1%
	not important	40	3.7%	
	Total	1080	100.0%	
Review the independence of the compensation consultant	very important	253	23.5%	47.5%
	2	258	24.0%	
	3	321	29.8%	
	4	155	14.4%	22.8%
	not important	90	8.4%	
	Total	1077	100.0%	
Include clawbacks in executive compensation packages	very important	233	21.6%	50.1%
	2	307	28.5%	
	3	311	28.8%	
	4	156	14.5%	21.1%
	not important	71	6.6%	
	Total	1078	100.0%	
Ensure peer group companies are realistic	very important	455	42.1%	83.0%
	2	442	40.9%	
	3	149	13.8%	
	4	23	2.1%	3.1%
	not important	11	1.0%	
	Total	1080	100.0%	
Perform a compensation risk assessment	very important	119	11.0%	42.7%
	2	342	31.7%	
	3	427	39.6%	
	4	138	12.8%	17.6%
	not important	52	4.8%	
	Total	1078	100.0%	

Survey results

Question 37 responses and grouped data results, continued

		Count	Frequency	Grouping 1&2, 4& 5 data
Reduce severance package	very important	105	9.7%	33.2%
	2	253	23.5%	
	3	405	37.6%	
	4	206	19.1%	29.1%
	not important	108	10.0%	
	Total	1077	100.0%	
Set minimum stock ownership guidelines and/or holding periods	very important	272	25.2%	65.2%
	2	432	40.0%	
	3	247	22.9%	
	4	85	7.9%	12.0%
	not important	44	4.1%	
	Total	1080	100.0%	

38. Are you responding as an inside or outside director?

	Count	Frequency
inside	148	13.4%
outside	958	86.6%
Total	1106	100.0%

39. What is your title or status with your primary company?

	Count	Frequency
chair	123	11.2%
president	61	5.5%
CEO	108	9.8%
CEO/chair	97	8.8%
general counsel	6	.5%
vice chair	17	1.5%
CFO	27	2.5%
CTO	2	.2%
corporate secretary	1	.1%
retired CEO	111	10.1%
retired (not the CEO)	106	9.6%
outside director	383	34.8%
other	59	5.4%
Total	1101	100.0%

Survey results

40. How long have you served on this board?

	Count	Frequency
less than one year	20	1.8%
1-2 years	69	6.2%
3-5 years	319	28.8%
6-10 years	356	32.2%
over 10 years	342	30.9%
Total	1106	100.0%

41. You are

	Count	Frequency
male	956	89.6%
female	111	10.4%
Total	1067	100.0%

42. What are the annual revenues for this company?

	Count	Frequency
under \$500 million	75	9.2%
\$500 million to \$1 billion	189	23.2%
\$1.1 billion to \$5 billion	325	40.0%
\$5.1 billion to \$10 billion	112	13.8%
Over \$10 billion	112	13.8%
Total	813	100.0%

43. On how many boards do you serve

	Count	Frequency
Public	1101	1.73
Private	570	1.81
Not for profit	666	2.15

Survey results

Question 43 continued

		Count	Frequency	
Public	1.00	586	53.2%	
	2.00	314	28.5%	
	3.00	141	12.8%	
	4.00	44	4.0%	
	5.00	9	.8%	
	6.00	6	.5%	
	8.00	1	.1%	
	Total	1101	100.0%	
	Private	1.00	314	55.1%
2.00		144	25.3%	
3.00		66	11.6%	
4.00		25	4.4%	
5.00		10	1.8%	
6.00		6	1.1%	
7.00		2	.4%	
8.00		1	.2%	
10.00		1	.2%	
15.00		1	.2%	
Total		570	100.0%	
Not for profit		1.00	262	39.3%
		2.00	198	29.7%
	3.00	123	18.5%	
	4.00	44	6.6%	
	5.00	23	3.5%	
	6.00	8	1.2%	
	7.00	3	.5%	
	8.00	3	.5%	
	9.00	1	.2%	
	10.00	1	.2%	
	Total	666	100.0%	

Survey results

44. Which of the following best describes this company?

	Count	Frequency
advanced technology	87	7.9%
aerospace/defense	28	2.5%
apparel/textiles	17	1.5%
automotive	36	3.3%
bank and savings institutions	67	6.1%
other financial companies	67	6.1%
building services & materials	41	3.7%
chemicals	27	2.5%
consumer products	69	6.3%
energy/utilities	165	15.0%
e-commerce	3	.3%
health care products/pharmaceuticals	50	4.5%
forest and paper products	12	1.1%
health care provider/managed care	33	3.0%
industrial and farm equipment	53	4.8%
insurance	37	3.4%
media/entertainment	25	2.3%
professional services	51	4.6%
other service company	30	2.7%
publishing	4	.4%
retail	64	5.8%
rubber and plastics	7	.6%
scientific equipment	6	.5%
telecommunications	31	2.8%
transportation/distribution	59	5.4%
other	32	2.9%
Total	1101	100.0%

Respondent demographics

Primary company title

- CEO—10%
- CEO/chair—9%
- Board chair—11%
- Retired CEO—10%
- Retired, not the CEO—10%
- President—6%
- Outside director—35%

Company annual revenues

- Over \$10 billion—14%
- \$5 billion to \$10 billion—14%
- \$1.1 billion to \$5 billion—40%
- \$500 million to \$1 billion—23%
- Under \$500 million—9%

Gender

- Male—90%
- Female—10%

Director independence

- Inside director—13%
- Outside director—87%

Committee membership

- Compensation committee chair—16%
- Compensation committee member—35%
- Audit committee chair—21%
- Audit committee member—37%
- Governance/nominating committee chair—16%
- Governance/nominating committee member—34%

Total board memberships

- Serve on an average of 1.73 public boards
- Serve on an average of 1.81 private boards
- Serve on an average of 2.15 not-for-profit boards

Methodology

Sampling

Using a service provider, 10,000 directors from the top 2,000 companies by revenue were randomly selected to receive the questionnaire.

Questionnaire creation and data collection

On April 12, 2010 the Annual Corporate Directors Survey (formerly known as *What Directors Think*) was sent to 10,000 directors of US public companies by US Post.

Analyzing the results

The questionnaires held two types of questions: questions addressing the policies and practices of the board and questions addressing the characteristics and opinions of the individual director. To achieve non-bias data when calculating the results for the board-related questions, each respondent's board was identified using a director ID number. Each board was only allowed to be represented once in the data pool causing the deletion of any respondent's reply whose board was already represented. This brought the number of responses used to calculate the board questions down to 819. The full number of responses (1,110) were used to calculate the results for the questions addressing individual director opinions and actions.

Please contact John Morrow— john.f.morrow@us.pwc.com — should you have any questions regarding this study.

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