New Reported Directorships: Q1 2014

About this study:

The overarching goal of The Directors' Institute is to build next generation board leadership. In achieving that goal, detailed analysis and understanding of how directorship is changing on a daily basis is a crucial part of our organization. This report covers all new directorships reported during the first quarter of 2014. The Directors' Institute releases a quarterly study on all newly appointed directors YTD, as well as an annual summary at the end of Q4.

There are many analyses of the boardroom available from other sources that focus on certain segments of the market, such as the Fortune 100, 500, or 1000, and the S&P 500. However, there is little available information on the total picture: of what directorship at all U.S. companies as a whole looks like. Studies by The Directors' Institute represent all filings made by every company that has publicly held securities, including all major exchanges, over-the-counter exchanges, and grey markets, totaling well over 10,000 companies. Our goal is to understand and influence U.S. directorship in its entirety, across all market cap ranges, and provide a true picture of what directorship in the U.S. looks like overall.

We analyze every SEC filing that reports director appointments and departures, and capture all the information available about the individuals involved, their backgrounds, and the companies they serve. This report covers all new directorships reported during the first quarter of 2014, and provides the first in-depth look at how directorship is evolving in 2014. Look for similar upcoming studies in Q2 to Q4, as well as our 2014 yearly summary study in early 2015.

Some Initial Observations:

Low gender diversity—Despite the considerations for diversity requirements as well as trends in what constitutes good governance, the proportion of female to male new directors is low. Female representation has edged up slightly in comparison to that in the First 500 New Directorships of 2014 study released by The Directors' Institute in early February, but it is still well below the threshold required to significantly increase female representations on boards overall.

High turnover—1,328 new directorships have been reported YTD in 2014 as of March 31. If this pace continues, we will see over 5,300 newly filled directorships at publically traded companies over the course of the entire year.

Low Average Age—The average age of new director appointments is lower than expected, in light of investor and regulatory concern over increasing average age of the boards at many (especially large) companies in recent years.

Among all publicly traded companies that make SEC filings, all newly reported directorships for the first quarter of 2014 have collectively been reported. The data below comprise all new director appointments that were filed in the first quarter of 2014.

Some quick facts:

- ✓ Over 1300 new directorships were reported during the first quarter of 2014, between January 1 and March 31.
- ✓ 87.7 % of the directorships were filled by men, 12.3% by women.
- ✓ The average age of an appointee was 52.4 (52.4 for men, and 52.9 for women)[i]
- ✓ 22.1% of the directorships were executive directorships (filled by current or contemporaneously appointed senior executives at the same respective companies as the directorship), and 77.9% were non-executive directorships (filled by people who were not serving the same company in an executive role). Of executive directorships, 94.9% were filled by men, with the remaining 5.1% filled by women.

Among executive directors, the most commonly held executive positions were:

Position	Percent of First Quarter Directorships
CEO	12.9%
President	9.7%
CFO	4.7%
COO	2.1%
Other (Including CTO, VP, SVP, CMO, CAO)	3.5%

*Note: total is greater than 22.1%, as some directors hold multiple executive positions.

- ✓ 21% of the appointments were made pursuant to some form of agreement, including investment agreement designees, share purchase and exchange agreements, and merger agreements.
- ✓ 11.5% of the directorships were related to a change in control, including those due to mergers, acquisitions, and share purchase or exchange agreements.
- ✓ 5% of appointees were appointed directly as the chairman of the board. 97% of the chairmen appointees were men. Chairman appointees had a slightly higher average age on appointment than directors in general, at 52.6.[ii]
- ✓ 2.8% of appointees were appointed directly as a committee chairman. 95% of the committee chair appointees were men. The average age of committee chair appointees was 56.6.[iii]

Industry Statistics

The new directorships took place at companies with the following industry classifications:

Industry Classification	Percent of First Quarter Directorships
Manufacturing	34.5%
Services	18.8%
Finance, Insurance & Real Estate	15.2%
Mining	9.7%
Transportation, Communications, Electric, Gas, & Sanitary Services	7.9%
Retail Trade	7.6%
Wholesale Trade	4.2%
Other (Construction; Unspecified; Agriculture, Forestry & Fishing; Public Administration)	2%

Comparison

How do these numbers compare to data available for specific segments? Compared to the S&P 500 in 2013, the directorships filled during the first quarter of 2014 differ primarily in:[iv]

Gender. 18% of all directors in the S&P 500 in 2013 were women, while only 12.3% of the directors appointed during the first quarter this year are women. This could largely be due to the increased focus and pressure on large-cap companies like those composing the S&P 500, versus the broad variety in size (as well as regulatory and investor focus) of the vast pool of companies covered in this study.

Age. The average age of independent directors in the S&P 500 in 2013 was 62.9, while that for the first quarter list is 52.4. This difference could be due in part to the fact that the S&P 500 average age number covers existing independent directors, while the first quarter number covers all newly appointed directors.

Independence. 85% of S&P 500 directors in 2013 were independent, versus 77.9% for the first quarter list[v]. This could largely be due to difference in requirements: companies listed in major exchanges, such as the NASDAQ and NYSE, are subject to minimum independent director requirements. Since the first quarter data includes companies that are not subject to these guidelines, it appears that some of them continue the practice of populating their boards with executives despite concerns this creates for effective governance by the board.

There are similarities between these datasets, however. For instance, the types of executive roles held by directors in both groups is consistent, with a strong preference for CEOs, presidents, CFOs and COOs.

Overall, the picture of directorship in public companies as a whole appears quite different from that at large companies with many eyes on them, such as those in the S&P 500. The push for diversity and good governance issues, like director independence, seem to be slower in catching on for the greater population of U.S. companies in comparison to those in the regulatory and investor spotlight. We at The Directors' Institute will continue to monitor trends in new director appointments, and report them in our upcoming quarterly and yearly summary studies.

How do we analyze our data? The following chart shows a simplified sample from our database:

File Date	Effective Date	SIC	Company	Name	Gender	Age	Notes
2/5/2014	2/4/2014	3661	Ciena Corp.	Mr. T. Michael Nevens	M	64	
2/5/2014	1/31/2014	6199	Crown Marketing	Mr. Terry Lee	M	62	
2/5/2014	1/31/2014	2860	OriginOil, Inc.	Mr. Byron Elton	M	59	
2/5/2014	4/1/2014	4841	WideOpenWest Finance, LLC	Mr. Steven Cochran	M	42	CEO
2/5/2014	2/4/2014	8731	Protalex, Inc.	Mr. Marco M. Elser	M	55	
2/5/2014	4/25/2014	1381	Rowan Companies plc	Dr. Thomas P. Burke	M	46	CEO
2/5/2014	2/3/2014	5160	Green Earth Technologies, Inc.	Mr. John Scelfo	M	56	
2/6/2014	2/4/2014	3600	Emerson Electric Co.	Dr. Candace Kendle	F	64	
2/6/2014	2/6/2014	7372	Responsys, Inc.	Ms. Dorian Daley	F	54	Sole
2/6/2014	2/1/2014	3572	Violin Memory, Inc.	Mr. Kevin A. DeNuccio	M	54	P/CEO
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We also capture data on vacated directorships.

Please contact us if you are interested in learning more about our database and the information we research.

About The Directors' Institute, Inc.

The Directors' Institute, Inc. is a non-profit organization focused on helping executives build the requisite network connections and foundational knowledge to serve as the next generation of leadership on public, private, and non-profit boards of American companies. It is the first membership organization focused on potential new directors, unlike other organizations that only admit current directors. The Directors' Institute serves an audience of nearly 3.5 million senior executives, and conducts Directors' Symposium™ events in cities throughout the U.S. to help prepare its members for board service.

For more information, please visit www.DirectorsInstitute.org or call our office: (484) 483-2882

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[i] Age data was available for 404 of the 1324 appointees, upon which these averages are calculated.
[ii] Age data was available for 39 of the 66 new appointees who were appointed directly as chairman.
[iii] Age data was available for 11 of the 37 new appointees who were appointed directly as a committee chairman.
[iv] All S&P 500 data is drawn from Spencer Stuart's Board Index 2013
[v] The first quarter number denotes executive directorships, which is not strictly equivalent to independence. For instance, non-employee investors may not meet director independence requirements.