

CORPORATE GOVERNANCE TRENDS

Here are some Corporate Governance trends where everyone is being more diligent about due diligence:

- Board candidates are asking more and different questions about company, i.e. Board culture, meeting external auditors, how Board works, demanding high standards of governance, adding value to company, how their Board service will benefit them professionally and help them lead their own organizations more effectively—win-win;
- More scrutiny and engagement is expected of Board Directors—examine candidate's ethical makeup, integrity, and past legal concerns;
- Directors are measured not by how well they get along and go along, but by the rigor and incisiveness of their questions and the tone of their questioning in a spirit of candor and helpfulness—supporting management and at the same time being able to constructively criticize and advise—Board being accountable and keeping management's "feet to the fire" for accountability and achieving milestones;
- Trend toward separating the CEO and Chairman is increasing;
- Board size is moving toward the 7-11 range;
- More companies are using search firms to recruit Board Directors, and these search firms are now engaged by Nominating and Governance Committees, who lead the effort, rather than the CEO;
- Searches are more strategic and involve Board and candidate assessments and Board competency needs;
- There are multiple candidates considered for each position, and diversity is very important;
- Best candidates are a great strategic fit for the Board and company—skills, experience, and personal chemistry;
- There is a shift of power from CEO to Board in many cases which is very threatening to many CEOs, especially those who are not as seasoned;
- More transparency and accountability is prevalent due to requirements under Sarbanes-Oxley and pressure from the institutional investor community;
- Senior executives below the CEO level are now being tapped for Boards, i.e. CFOs, because of Sarbanes and because many CEOs are "boarded-up";
- All committees now have charters; Audit, Compensation and Governance Committees have independent director membership only;
- Public company Boards are doing Board and individual Board Director assessments for accountability and Board evolution;
- Governance guidelines/principles are a best practice, and investors love this;

- Governance information is publicized openly on websites, annual reports, and in Proxy statements;
- Board Directors have more risk and exposure; many are cutting back on the number of Boards they sit on;
- Board compensation is increasing because time commitment for Board Directors is greater;
- Women on Boards are increasing but at a slow pace; and
- More private, venture-backed companies are adopting many of the requirements imposed by Sarbanes for public companies because it is good business and institutional investors value these companies more, i.e. transparency and accountability.