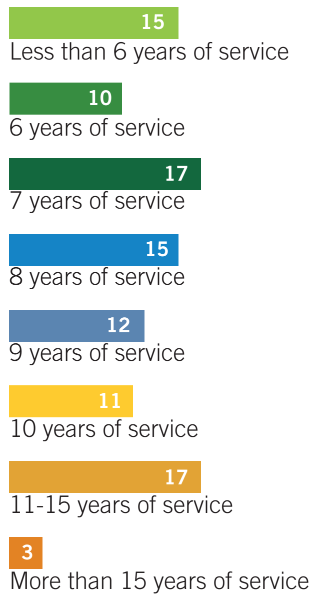
Board Refreshment

In today's constantly evolving and complex global business environment, board composition is increasingly in the spotlight. "Board refreshment" includes issues facing nominating/governance committees related to director tenure, experience, diversity and performance, all of which contribute to board effectiveness. While director continuity provides many benefits, nominating/governance committees are tasked with the responsibility of balancing those benefits with the need for fresh perspectives, diverse views, specialized experience and independence. The average board tenure at the Top 100 Companies is 8.44 years.

Average Tenure of Directors



Director Independence

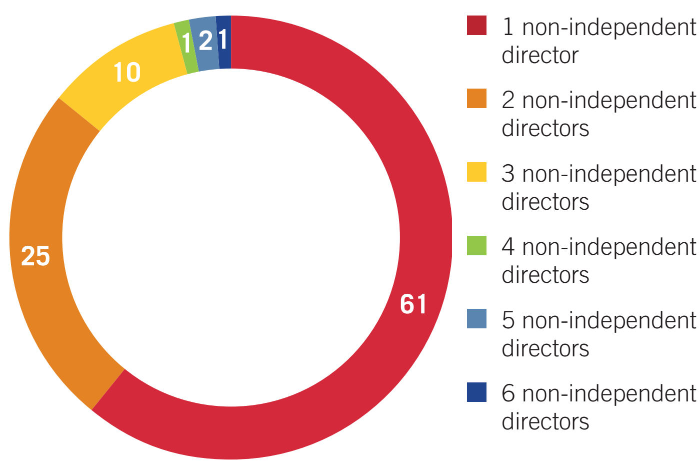
Independent directors constituted 75% or more of the directors on the boards of most of the Top 100 Companies. Over the last 10 years, the number of companies at which the CEO is the only non-independent director has increased significantly. COOs served on the boards of five companies and a CFO served on the board of one company.

94 companies have boards composed of 75% or more independent directors

61 companies have the CEO as the only non-independent director

30 companies have non-management directors who are not independent

Non-Independent Board Members

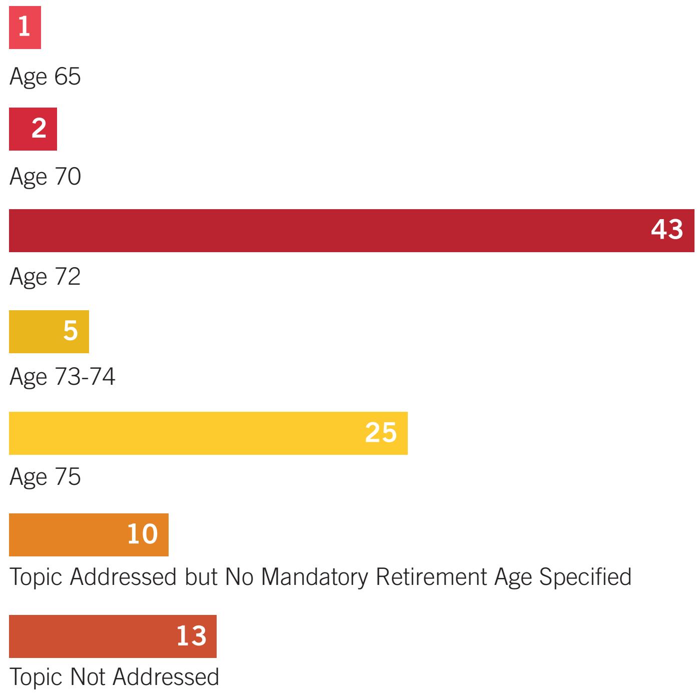


Mechanisms to Encourage Board Refreshment

Refreshing the board is often accomplished by adopting a mandatory retirement age for non-employee directors or, less frequently, by imposing mandatory term limits on service. Bright-line standards can eliminate the need to make difficult decisions about the continued service of an individual director, but they often do not take into account whether the directors are functioning effectively and can prolong the tenure of under-performing directors or cut short the tenure of directors who continue to make a contribution. The NYSE mandates board self-evaluations and many companies rely on them as a more effective means for ensuring board composition is appropriate and the board is functioning effectively.

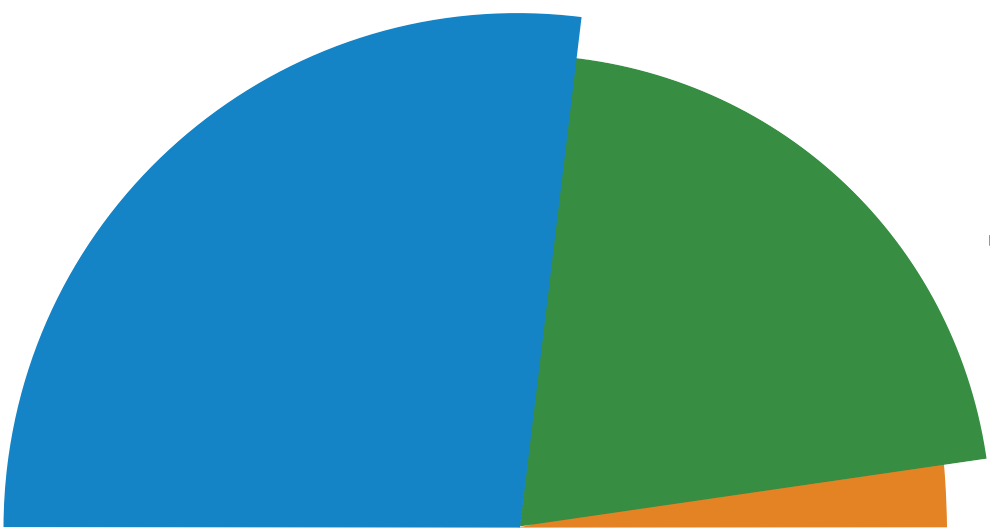
Retirement Age

Although not required by either the NYSE or NASDAQ listing standards, 77 of the Top 100 Companies have disclosed a mandatory retirement age for their non-management directors. Of these, 38 companies expressly permit the board or a committee of the board to make exceptions to the retirement age policy. Age 72 continues to be the most commonly selected age for mandatory retirement of non-management directors. Common practice requires management directors (other than chairs in certain instances) to retire from the board when they retire from employment with the company.



Term Limits

Only four of the Top 100 Companies have adopted mandatory term limits for their directors. The mandatory term limits apply only to non-management directors at three of these companies. Fifty-five of the Top 100 Companies specifically state that term limits have not be adopted, most citing the value of the insight and knowledge that directors who have served for an extended period of time can provide about the company's business. Many of these companies also state that periodic reviews by the board or a board committee of each director's performance serve as an appropriate alternative to mandatory term limits. One company has a 20-year term limit.



55 companies specifically state that term limits should not be adopted

41 companies do not address the topic of term limits

4 companies have terms limits ranging from 12 to 20 years

Board Structure and Practices

Size of Board

The size of the boards of directors of the Top 100 Companies ranged from seven to 17 members, with an average of 12 members. The board size of 74 of the Top 100 Companies ranged from 10 to 13 members.

2 8 or fewer members

3 9 Members

14 10 Members

23 11 Members

22 12 Members

15 13 Members

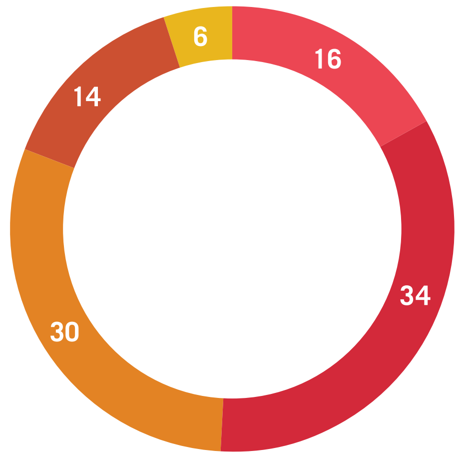
8 14 Members

5 15 Members

8 16 or More Members

Size of Audit Committee

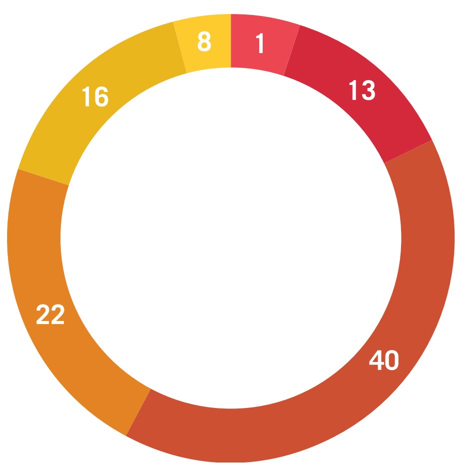
The number of members of the audit committees of the Top 100 Companies ranged from three to seven members. The number of financial experts on the audit committees of the Top 100 Companies ranged from one to ten. The median number of financial experts was four.



- 3 Members
- 4 Members
- 5 Members
- 6 Members
- 7 Members or more

Size of Nominating/ Governance Committee

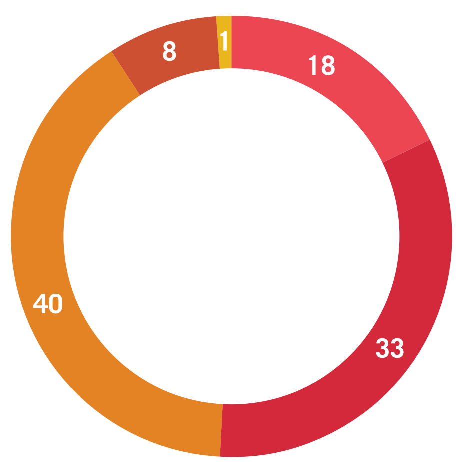
The size of the nominating/ governance committees of the Top 100 Companies ranged from two to twelve members.



- 1 Member
- 3 Members
- 4 Members
- 5 Members
- 6 Members
- 7 Members or more

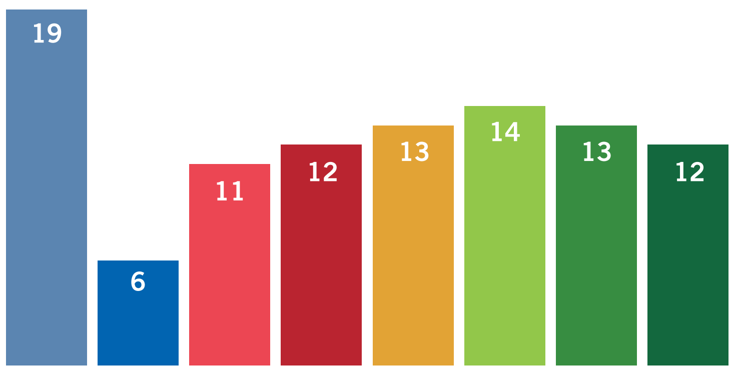
Size of Compensation Committee

The size of the compensation committees of the Top 100 Companies ranged from three to seven members.



- 3 Members
- 4 Members
- 5 Members
- 6 Members
- 7 Members

Number of Board Meetings

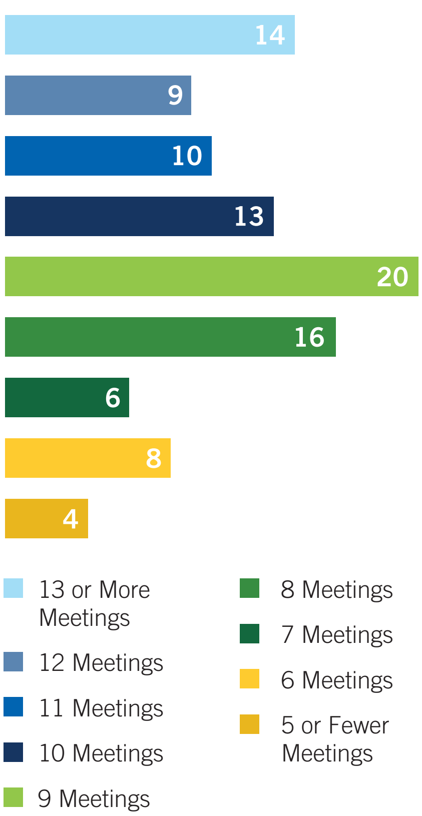


Fast Facts

The Top 100 Companies held an average of nine board meetings.

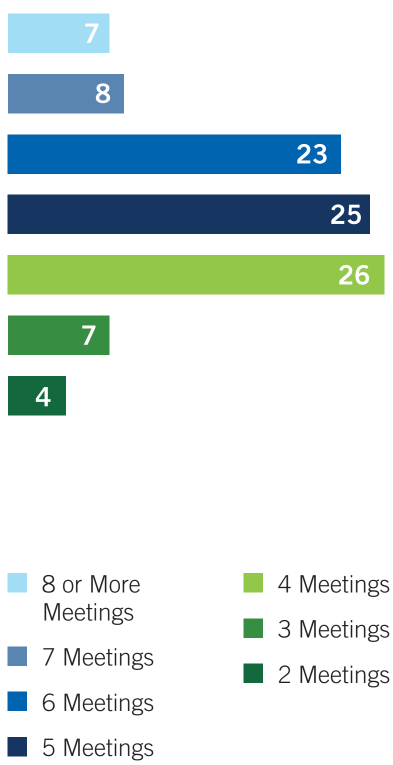
Number of Audit Committee Meetings

The Top 100 Companies held an average of 10 audit committee meetings.



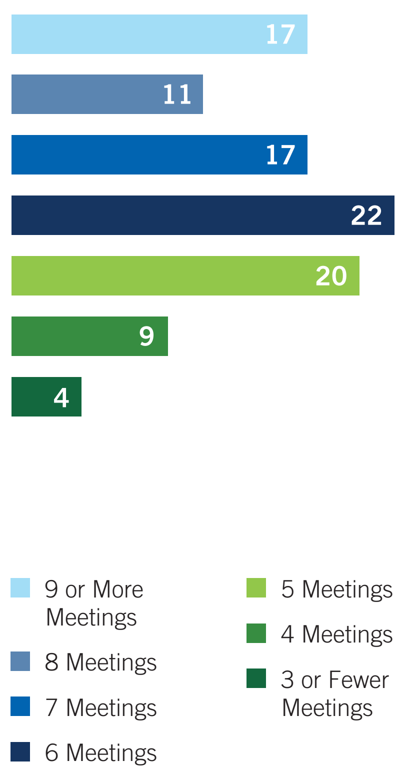
Number of Nominating/ Governance Committee Meetings

The Top 100 Companies held an average of five nominating/ governance committee meetings.



Number of Compensation Committee Meetings

The Top 100 Companies held an average of seven compensation committee meetings.



Audit Committee Financial Experts

Listed companies must disclose whether at least one member of the audit committee is an audit committee financial expert and, if not, why not. Although SEC rules require companies with an audit committee financial expert to disclose the identity of only one expert, 70 of the Top 100 Companies voluntarily disclosed the identity of more than one audit committee financial expert.

3

of the 27 companies that identify all audit committee members as financial experts are financial institutions (including insurance companies)

identify two or more (but less than all) audit committee members as audit committee financial experts

identify only one audit committee member as an audit committee financial expert

identify all audit committee members as audit committee financial experts