Seeking Directorships

Governance Insights Center
www.pwc.com/us/governanceinsightscenter
Steps toward attaining a board position

• Take the first step
• Understand what boards are seeking
• Build your experience and brand
• Compose your board bio
• Conduct your search
• Prepare for the interview
• Do your due diligence
Take the first step

Ask yourself the following questions:

- Why do I want to be a director?
- What value can I bring to a board?
- Can I commit the amount of time needed?
- What kind of company do I want to be involved with?
  - Industry/sector
  - Private, public, private equity-owned
  - Startup, growing, established
  - Small, medium, large
- What is my timeframe for a position?
- Will my employer allow me to take a board position?
- Do my previous or current business relationships pose any issue with me being independent?
Understand what boards are seeking

- CEO / senior executive
- Actively employed / recently retired
- Someone who understands the role is oversight, not management
- Increasing focus on diversity

27% of new independent directors in S&P 500 companies are serving on their first public company boards

Source: Spencer Stuart, 2019 Spencer Stuart US Board Index, October 2019.

Financial expertise
Operational expertise
Risk mgmt. expertise
Industry expertise

Source: PwC, 2019 Annual Corporate Directors Survey, October 2019
Understand what boards are seeking

*Highest priorities for board recruiting*

Women: 36%    Technology experience: 34%    Active CEO/COO: 32%

*New independent director top industry backgrounds*

- Technology/telecom: 17%
- Consumer goods & services: 16%
- Financial services: 10%
- Private equity/investment management: 10%
- Healthcare/pharmaceuticals: 9%
- Industrial/manufacturing: 8%
- Energy/utilities/oil & gas: 7%
- Transportation products & services: 4%
- Academics/nonprofit: 3%
- Public accounting: 3%
- Consulting: 3%

Sources: Spencer Stuart, 2019 Spencer Stuart US Board Index, October 2019
Understand what boards are seeking

How would you describe the importance of having the following skills, competencies or attributes on your board?

<table>
<thead>
<tr>
<th>Skill</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Not very important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial expertise</td>
<td>89%</td>
<td>44%</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>Operational expertise</td>
<td>51%</td>
<td>44%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Risk management expertise</td>
<td>50%</td>
<td>44%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Industry expertise</td>
<td>46%</td>
<td>46%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Gender diversity</td>
<td>38%</td>
<td>44%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Racial/ethnic diversity</td>
<td>26%</td>
<td>49%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Cyber risk expertise</td>
<td>26%</td>
<td>59%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>IT/digital expertise</td>
<td>23%</td>
<td>53%</td>
<td>23%</td>
<td>1%</td>
</tr>
<tr>
<td>International expertise</td>
<td>21%</td>
<td>35%</td>
<td>31%</td>
<td>13%</td>
</tr>
<tr>
<td>Marketing expertise</td>
<td>16%</td>
<td>46%</td>
<td>33%</td>
<td>4%</td>
</tr>
<tr>
<td>Human resources expertise</td>
<td>14%</td>
<td>53%</td>
<td>30%</td>
<td>3%</td>
</tr>
<tr>
<td>Age diversity</td>
<td>14%</td>
<td>51%</td>
<td>30%</td>
<td>6%</td>
</tr>
<tr>
<td>Environmental/sustainability expertise</td>
<td>10%</td>
<td>41%</td>
<td>41%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Base: 719-727
Build your experience and brand

• Why is my brand so important?
• How strong is my brand?
• Author industry articles / periodicals
  – Speak at conferences
  – LinkedIn / Twitter
  – Social media blogs
• What experience do I have on boards (including not-for-profit boards)?
• What experience do I have in the boardroom—reporting to a board or board committee?
• How current is my knowledge of board hot topics? How well do I understand the full scope of board responsibilities?

Tip

Do an internet search on your name and review the results.
• Are they outdated?
• Is any information damaging to your brand?
Consider engaging a reputation management firm to report on your digital footprint.
Compose your board bio

**Your bio should include:**

- Picture
- Contact information (email address & phone number)
- If possible, try to keep it at one page – two at most
- First paragraph, explain how you can add value to the board
  - Include skills
  - Include sector/industry expertise
- Next couple of paragraphs should include your experience
  – basically a summary of your resume
- Last paragraph should be personal information such as:
  - Degrees, college, hobbies, awards, etc.
Conduct your search

Which of the following candidate sources identified the individuals added to your board over the past year?

- Search firm: 39% Public, 11% Private
- Personal network/Word of mouth: 28% Public, 39% Private
- Nominating committee research: 16% Public, 17% Private
- Shareholder suggestion: 25% Public, 10% Private
- Other: 6% Public, 3% Private
- Director database: 1% Public, 6% Private

Conduct your search

Update your CV as needed

Network, network, network — overwhelmingly, personal recommendations lead to director opportunities

- Spread word of your interest—including to your CEO
- Connect with sitting directors you know

Understand the role of director search firms

- If your CEO supports your search, it can be valuable for him or her to reach out to the board search firm on your behalf
- Consider connecting with search firms you’ve hired in your executive roles

Review proxy statements of companies you’re interested in

- What types of people are on the board? What skills do they bring? Are there any gaps I could fill? How are they describing their board skills?
- How old are the current directors? If the board has a retirement age, does that mean turnover is imminent?
Important items to keep in mind

- Understand the type of information that public companies have to provide in their proxy statements about directors
- Know the director independence requirements and determine whether you would qualify as independent
- If actively employed, clear with your employer
Prepare for the interview

• Review the company’s website and read the corporate filings to gain knowledge of the business, performance and strategy
• Subscribe to a newsfeed for the company/industry
• Research the company to understand the public perception and reputation
• Research the company’s peers and where the company fits in among its peers
• Understand the company’s major shareholder base
• Understand the overall board composition
• Prepare poignant questions with a long-term view
• Consider potential disruptive forces to the sector

Tip

Think in terms of a win-win relationship—what value-add can I bring to the board, not only what I can get in return.
Do your due diligence

- If you are offered a board role, consider it carefully before accepting
- Dig deeper into the reputation of the company, management team and directors
- Understand who the board’s and company’s major advisors are—including external auditors and outside legal counsel
- Understand the company’s director protection measures
  - Limitation on liability
  - Indemnification
  - Directors and Officers (D&O) insurance—what does it cover?
Appendices

- Appendix A – What are boards looking for?
- Appendix B – Some key rules and definitions
- Appendix C – Conduct your search
- Appendix D – Resources
Appendix A – What are boards looking for?

Profile of the 432 new independent directors added to S&P 500 company boards in 2019

New director backgrounds:

- 46% female
- 23% racial minority
- 35% active or retired C-suite chairs, CEOs, presidents or COOs
- 53% actively employed
- 27% backgrounds in banking, finance, investment or accounting
- 17% from technology or telecommunications industries; 16% from consumer goods and services
- 27% serving on their first public company board

Source: Spencer Stuart, 2019 Spencer Stuart US Board Index, October 2019.
Appendix A – What are boards looking for?

New director backgrounds: first-time vs. experienced

<table>
<thead>
<tr>
<th>BACKGROUNDS</th>
<th>FIRST-TIME</th>
<th></th>
<th>EXPERIENCED</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Active</td>
<td>Retired</td>
<td>Total %</td>
<td>Active</td>
</tr>
<tr>
<td>CEOs</td>
<td>7</td>
<td>0</td>
<td>6%</td>
<td>56</td>
</tr>
<tr>
<td>Chairs/presidents/COOs/VCs</td>
<td>5</td>
<td>2</td>
<td>6%</td>
<td>10</td>
</tr>
<tr>
<td>Line and functional leaders</td>
<td>22</td>
<td>9</td>
<td>26%</td>
<td>7</td>
</tr>
<tr>
<td>Financial executives/CFOs/treasurers</td>
<td>12</td>
<td>5</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>Division/subsidiary presidents</td>
<td>8</td>
<td>2</td>
<td>8%</td>
<td>12</td>
</tr>
<tr>
<td>Investment managers/investors</td>
<td>10</td>
<td>0</td>
<td>8%</td>
<td>23</td>
</tr>
<tr>
<td>Academics/nonprofit executives</td>
<td>6</td>
<td>1</td>
<td>6%</td>
<td>8</td>
</tr>
<tr>
<td>General counsel</td>
<td>1</td>
<td>1</td>
<td>2%</td>
<td>1</td>
</tr>
<tr>
<td>Consultants</td>
<td>1</td>
<td>0</td>
<td>1%</td>
<td>14</td>
</tr>
<tr>
<td>Lawyers</td>
<td>1</td>
<td>0</td>
<td>1%</td>
<td>2</td>
</tr>
<tr>
<td>Bankers/investment bankers</td>
<td>3</td>
<td>6</td>
<td>8%</td>
<td>2</td>
</tr>
<tr>
<td>Public accounting executives</td>
<td>1</td>
<td>4</td>
<td>4%</td>
<td>0</td>
</tr>
<tr>
<td>Others (incl. gov't. &amp; military)</td>
<td>4</td>
<td>7</td>
<td>9%</td>
<td>8</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>81</strong></td>
<td><strong>37</strong></td>
<td><strong>100%</strong></td>
<td><strong>148</strong></td>
</tr>
</tbody>
</table>

*Data may not total 100% due to rounding.

Source: Spencer Stuart, 2019 Spencer Stuart US Board Index, October 2019.
Appendix B – Some key rules and definitions

<table>
<thead>
<tr>
<th>A director isn't independent if:</th>
<th>NYSE</th>
<th>NASDAQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>The director was a company employee at some time during the last three years</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The director has an immediate family member who is/was an executive officer of the company within the last three years</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Either the director or an immediate family member received, during any 12-month period in the last three years, more than $120,000 in direct compensation from the company (other than director and committee fees and pension or other deferred compensation for prior service)</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Either the director or an immediate family member accepted any compensation from the company in excess of $120,000 during any period of 12 consecutive months within the last three years, other than (i) compensation for board or committee service, (ii) compensation to a family member who is an employee (other than an executive officer), or (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The director is a current partner or employee of the company's internal or external audit firm; the director has an immediate family member who is a current partner of such a firm; the director has an immediate family member who is a current employee of such a firm and personally worked on the company's audit; or the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the company's audit during that time</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The director or an immediate family member is a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor at any time during the past three years</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The director or an immediate family member, currently or in the last three years, is or had been an executive officer at another company where any of this company's executive officers at the same time serve or served on that company's compensation committee</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The director is a current employee, or an immediate family member is a current executive employee, of a company that made payments to or received payments from the listed company for property or services in an amount that, in the last three fiscal years, exceeds the greater of:</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

**Source:** PwC, *Going public? What you need to know about corporate governance*, 2018.

In addition to the detailed rules shown at left that would bar a director from being considered independent, there are other overarching requirements:

**NYSE:** A director is not independent unless the board affirmatively determines that the director has no material relationship with the company.

**NASDAQ:** An independent director cannot have a relationship that, in the board’s opinion, would interfere with his or her ability to exercise independent judgment in carrying out a director’s responsibilities.
Appendix B – Some key rules and definitions

The SEC requires companies to provide specific information about directors:

Director-specific information

- Name and age.
- Whether or not the individual is independent according to listing exchange requirements and what matters the board considered in determining that a director is independent. (See prior page for some key rules and definitions of director independence.)
- Principal occupation and employment during the last five years. The name and principal business of any other company where the person had similar responsibilities. Whether any of the companies are/were a parent, subsidiary or other affiliate of the company filing the proxy.
- Specific experience, background, attributes or skills that qualify the person to be a director of the company.
- Nature of any family relationship between directors, nominees and/or executive officers.
- Any other directorships held during the past five years.
- Involvement in certain legal proceedings during the past 10 years that are material to the evaluation of the ability and integrity of the director, such as bankruptcies, criminal proceedings, violations of securities laws or sanctions.
- Current or past positions held with the company, and when held.

Source: PwC, Going public? What you need to know about corporate governance, 2018
Appendix B – Some key rules and definitions

If the board determines there is an audit committee financial expert, then that person’s name must be disclosed in the proxy statement

Audit committee financial expert definition

The SEC defines an “audit committee financial expert” as a person who has the following attributes:

• An understanding of generally accepted accounting principles and financial statements;
• The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
• Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
• An understanding of internal controls and procedures for financial reporting; and
• An understanding of audit committee functions.

Under the SEC’s rules, a person must have acquired such attributes through any one or more of the following:

• Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor, or experience in one or more positions that involve the performance of similar functions;
• Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
• Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
• Other relevant experience.

Source: PwC, Going public? What you need to know about corporate governance, 2018
Appendix B – Some key rules and definitions

For a complete summary of the SEC, NYSE and NASDAQ rules relating to directors and boards, see our publication *Going public? What you need to know about corporate governance.*

Specific rules may be found in the appendices of this publication.
Appendix C – Conduct your search

*How strong is your CV? Is it up to date or in need of a polish to highlight the value you would bring to a board?*

- Understand that as a candidate, you will be fully vetted and subject to a background check. Watch out for any embellishments on your CV.
- You may want a professional editor to review and proof your CV.
Appendix D – Resources

Worth reading (click icons to open)

Build your experience and brand

- Article – Director & Boards, “How to get appointed to a board when you’re not a household name” by John T. Montford and Joseph Daniel McCool, Third Quarter 2016.

Conduct your search

- Chapter 29, To Picture or Not to Picture, That Is the Question, Excerpted from Be Smart: Sail Past the Hazards of Conventional Career Advice, Copyright © 2013 Paula Asinof and Mina Brown
Appendix D – Resources

Worth reading (click icons to open)

**Prepare for the interview**
- Article – *Director & Boards*, “Ace the board interview” by Madeleine Condit and Janet Morrison Clarke, Second Quarter 2013.
- Articles – *Director & Boards*, various articles on interviewing.

**Do your due diligence**
- Article – *Director & Boards*, “Don’t pursue a board seat if…” by Pamela Craig and Eugenia Ulasewicz, Fourth Quarter 2015.
Appendix D – Resources

Director conferences

• National Association of Corporate Directors (NACD)
  – NACD Director Professionalism
  – NACD Global Board Leaders’ Summit
  – Join the local chapter of NACD
• Stanford Directors’ College
• Harvard Business School
• Equilar
• Corporate Board Member
Appendix D – Resources

Stay on top of and understand current governance issues

Subscriptions

- PwC Governance Insights [free]
- NACD Directorship [free with membership]
- Agenda [$$$

Webcasts

- PwC Governance Insights Center webcasts
- Boardroom Resources Inside America’s Boardroom
- NACD BoardVision

Websites

- PwC Governance Insights Center
Appendix D - resources
Available online at www.pwc.com/us/governanceinsightscenter

• Annual Corporate Directors Survey (ACDS)
• Audit Committee Excellence Series (ACES)
• Deals Series
• Executive Compensation Series
• Risk Oversight Series
• ProxyPulse
• Technology Series
• Governance Insights newsletter
Publications and resources
Audit Committee Excellence Series (ACES)

This series provides practical and actionable insights, perspectives, and ideas to help audit committees maximize their performance.

ACES editions

- Practical tips for the chair
- Overseeing internal investigations
- To GAAP or non-GAAP? The SEC is watching
- Forward-looking guidance
- Overseeing taxes in a new era
- Overseeing external auditors
- Getting the most out of internal audit
- Financial reporting oversight
Publications and resources
Risk Oversight Series

➢ Why your board should take a fresh look at risk oversight: a practical guide for getting started
➢ How your board can influence appetite and risk culture
➢ How your board can ensure enterprise risk management connects with strategy
➢ Why your board should refocus on key risks
➢ How your board can decide if it needs a risk committee
➢ How your board can be ready for crisis
➢ How your board can be effective in overseeing cyber risk

Explore the Risk Oversight Series here
Publications and resources

The board’s guide to deals

Acquisitions, IPOs, divestitures and other deals are some of the biggest moves a company can make. When executed well, deals can improve growth and increase shareholder value. But there are many factors that can make or break a deal.

Corporate directors are well positioned to help management think through the benefits and hurdles involved in a potential deal. PwC’s series, *The board’s guide to deals*, tackles a range of deal opportunities that boards should be prepared to oversee.

**Editions**

- Considering an acquisition? What boards need to do before, during, and after the deal
- When a piece of your company no longer fits: what boards should know
- Weighing the pros and cons of a JV or alliance? How boards can help.
- How can boards help their companies navigate distress—before it’s too late?
- Exploring an IPO: the 9 ½ questions boards should ask
Emerging technologies

This series provides an overview of our Essential Eight emerging technologies for board members. We also provide insights—"board bytes"—on each technology:

- Essential Eight overview
- Robotics
- Drones
- Internet of things
- Virtual and augmented reality
- Artificial intelligence
- Blockchain
- 3-D printing
Thank you