

AGENDA

THE WEEK'S NEWS FROM OTHER BOARDROOMS

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Directors' and Officers' Outlook: Q1 2011

This year is shaping up to be the year of regulatory compliance.

The months of frenetic activity in Washington following the financial crisis is finally having its effect on boardrooms across the nation. And directors are concerned. Many of those laws and regulations have either just gone into effect or will be taking effect over the next 12 to 18 months. Which means directors will be dealing with the new rules, not just reading about them.

Beyond just new laws, directors are also concerned about the Obama Administration's policies regarding a range of issues, from taxes to the value of the dollar.

It's no surprise then that our survey for the first quarter of 2011 reveals a great deal of preoccupation with Washington on the part of directors.

Directors rank their 2011 boardroom priorities almost exactly the same as they did for 2010, with the exception of regulatory compliance, which jumped ahead of executive compensation and shareholder communication. Regulatory compliance wasn't even among the top eight items directors told us they were making sure were on boardroom agendas for 2010. For 2011, it's the second most prevalent response (after risk oversight).

In directors' views on the economy, Washington seems to be one of the biggest risk factors their companies face. Many survey respondents are hopeful that new leadership in the House of Representatives will help businesses. But uncertainty remains strong.

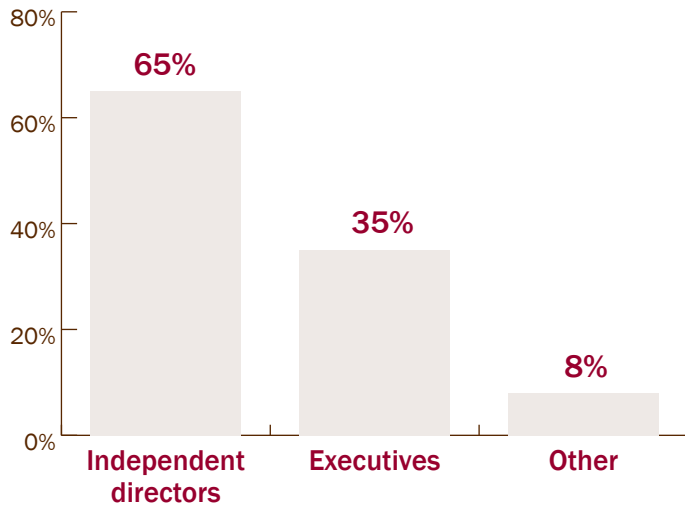
"The policies pursued by the administration [and] outgoing [C]ongress were clearly business unfriendly," writes one director. "Those suggested by the new [H]ouse leadership are more business friendly but it is still unclear if they will be adopted or if we will simply remain in a state of uncertainty." ■

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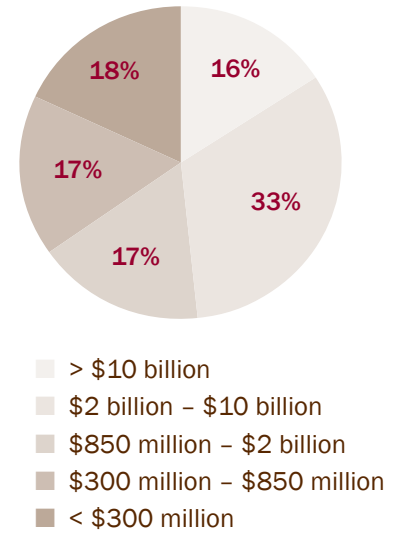
Survey Information

Survey Respondents



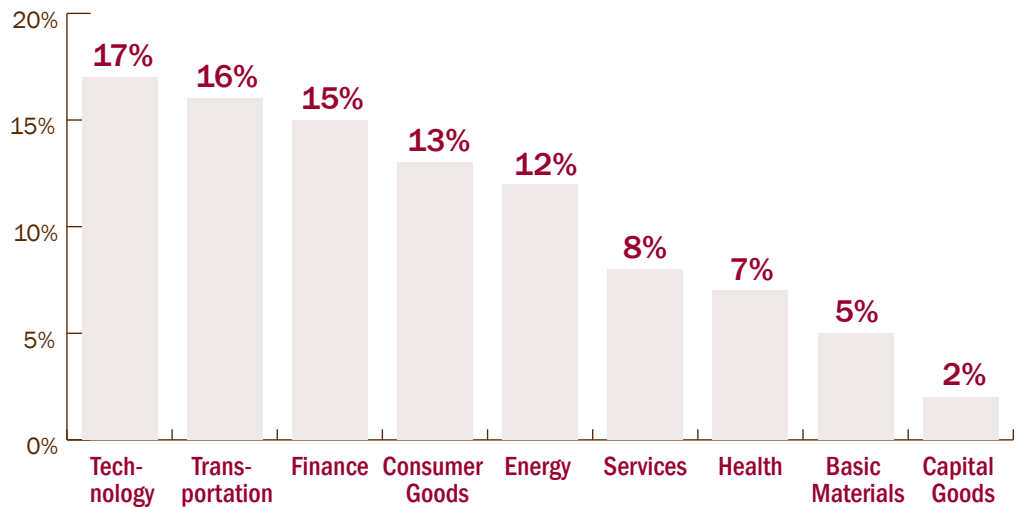
Note: Based on 405 responses; respondents could choose more than one option

Size of Company



Note: Based on 405 responses

Sectors

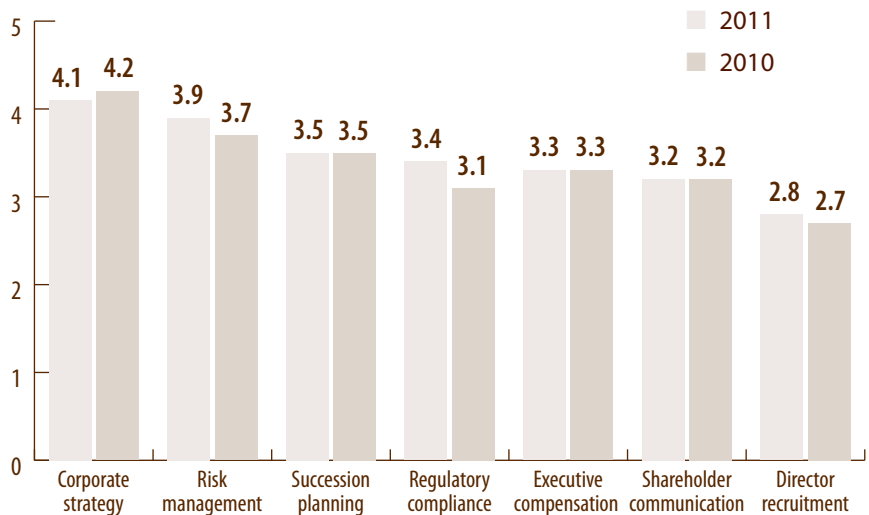


Note: Based on 340 responses

Boardroom Priorities

2011 Priorities

Directors to Pay More Attention to Regulatory Compliance
On a scale of 1-5 (5 being most important), directors rate their top priorities for 2011



Note: 2011 data based on 262 responses; 2010 data based on 249 responses.

Risk Management Higher Priority for Directors



Note: Based on 262 responses from independent directors and 140 corporate executives

What's on the Agenda?

What's on the Agenda?

In our surveys, we typically ask directors what topics they're adding to their boardroom agendas. Below are some themes ranked in order of prevalence:

First Quarter 2011	First Quarter 2010
Risk oversight	Risk oversight
Regulation and legislation	International expansion and opportunities
Strategic growth	Executive compensation
Executive compensation	Technology
International expansion and opportunities	Mergers and acquisitions
Succession planning	Taxes
Board processes	Sustainability
Employee retention and engagement	Stakeholder concerns

Top Reasons to be Optimistic in 2011

1	The slightly improving economy
2	Changes in government resulting from the mid-term elections
3	Position of the business, brand
4	Strategic plans
5	A strong management team and the lessons they've learned
6	American resiliency
7	New tax legislation
8	M&A prospects
9	Emerging markets
10	The board

Top Reasons to be Concerned in 2011

1	Economy
2	Strategy
3	Rules and compliance
4	Government
5	Talent Development and succession planning
6	Uncertainty
7	Revenue Growth
8	Risk management
9	Job creation, unemployment
10	China
11	Director recruitment

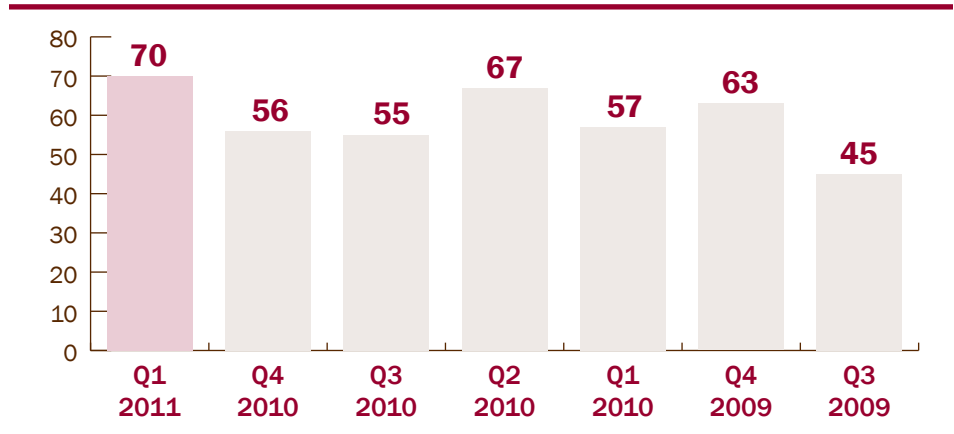
Directors' New Year's Resolutions

Category	Q1 2011	Q1 2010
Performance/Education	50	67
Bottom Line/Focus	42	12
Strategy/Action Plan	37	12
Communications	15	10
Risk	11	14
Regulatory	5	11
Optimism	4	3
Succession Plan	3	3
None	7	1

Sources: Agenda's Directors and Officers Outlook: Q1 2011 based on 174 responses; Agenda's Directors and Officers Outlook: Q1 2010 based on 133 responses

Director Economic Confidence

**Directors' Confidence Gauge
For the Economy and Their Businesses**



The director confidence gauge is the average of four scores, which were as follows in the most recent survey:

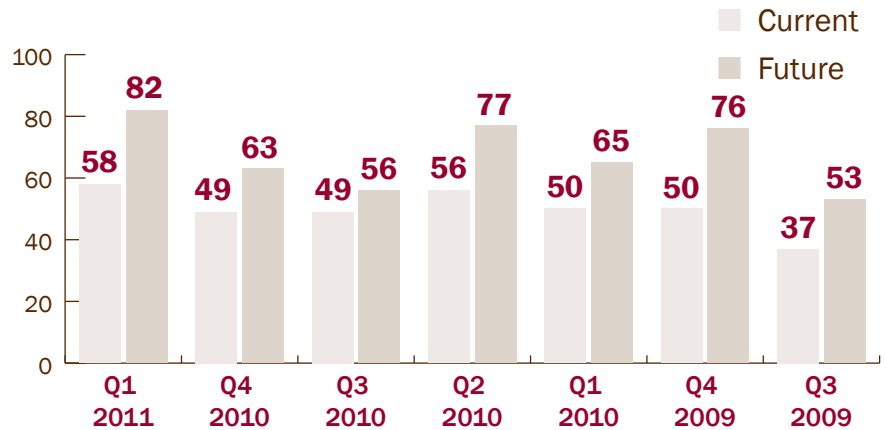
	Score
Current condition of your company	96
Outlook for your company over the next six months	98
Current condition of the economy	20
Outlook for the economy over the next six months	66
Average	70

The scores are a measure of directors' overall confidence reflected by the expression of positive or negative sentiment. A score of 100 would reflect no negative sentiment; a score of 0 would reflect no positive sentiment. The numbers are calculated by removing the neutral responses to a question and then dividing the positive responses by the total number of positive and negative responses.

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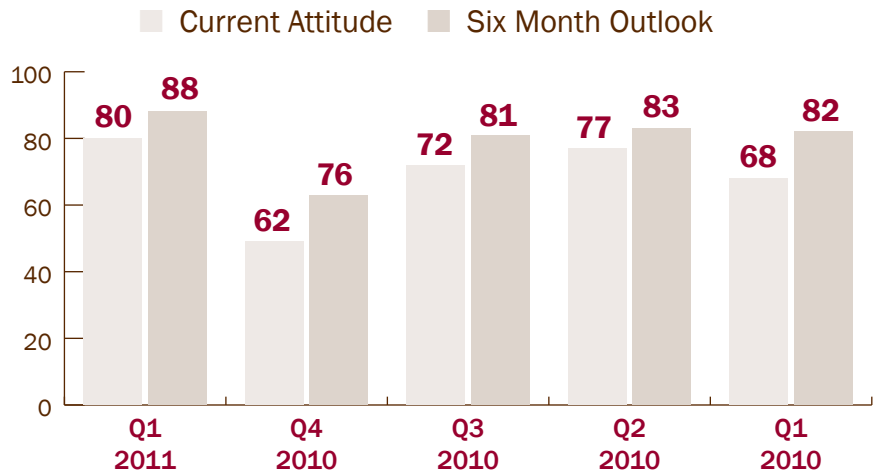
Director Confidence *continued*

Director Current Confidence vs. Director Future Confidence



Note: The above numbers combine directors' future sentiment (six-month outlook on the economy and the company) together separately from the current sentiment (current condition of the economy and the company) to create a gauge of current and future sentiment compared quarter to quarter.

Boards' Appetite Toward Risk-Taking



Note: The above scores include directors' responses to questions about their boards' current and expected future risk appetite.

Director Confidence *continued*

Note on the surveys:

- *Directors' and Officers' Outlook: Q1 2011* – conducted between Dec. 8 and Dec. 17 and included responses from 263 independent directors and 140 corporate executives.
- *Directors' and Officers' Outlook: Q4 2010* – conducted between Oct. 5 and Oct. 18 and included responses from 103 independent directors and 71 corporate executives.
- *Directors' and Officers' Outlook: Q3 2010* – conducted between July 8 and July 21 and included responses from 164 independent directors and 57 corporate executives.
- *Directors' and Officers' Outlook: Q2 2010* – conducted between March 24 and April 6 and included responses from 105 independent directors and 46 corporate executives.
- *Directors' and Officers' Outlook: Q1 2010* – conducted between Dec. 8 and Dec. 18 and included responses from 253 independent directors and 80 corporate executives.
- *Directors' and Officers' Outlook: Q4 2009* – conducted between Oct. 22 and Nov. 4 and included responses from 131 independent directors and 51 corporate executives.
- *Directors' and Officers' Outlook: Q3 2009* – conducted between June 24 and July 1 and included responses from 291 independent directors and 136 corporate executives.
- *Directors' and Officers' Outlook: Q2 2009* – conducted between March 24 and April 2 and included responses from 119 independent directors and 95 corporate executives.