



Template for Disclosure of Director Skills and Attributes

Responding to the SEC's New Proxy Enhancement Rules Regarding Board Composition

Background

On December 16, 2009, the Securities and Exchange Commission (SEC) issued a final rule adopting amendments to their proxy disclosure rules. The final rule became effective February 28, 2010.

- The final rule requires new disclosure on a wide range of issues, including compensation and risk, director qualifications, company leadership structure, and the board's role in the risk management process.
- The new rule relating to director qualifications requires companies to disclose for each director and director nominee the particular **experience, qualifications, attributes, or skills** that qualify the director or nominee to serve as a director of the company and as a member of any committee that the individual serves on or will serve on, in light of the company's business. More importantly, the rule does not prescribe what qualifications must be considered by directors and thus disclosed; rather, the rule directs the disclosure of **any** qualifications the board has chosen to consider for each director. For example, if financial literacy is among those qualifications, this must be disclosed.
- In addition to the expanded narrative disclosure regarding director and nominee qualifications, the rule requires disclosure of **any directorships** held by a director or nominee at any time during the past five years at public companies and registered investment companies.
- The new rule also lengthens to ten years the time during which disclosure of **legal proceedings** involving directors is required.

In light of these new requirements, NACD believes that companies may find it useful to create a template for these disclosures. NACD offers the following template as a guide. It is important to note that the template is only relevant for director qualifications, attributes, and skills.

XYZ, Inc.

Election of Directors

Nine directors have been nominated for election at the 2010 Annual Meeting to hold office until the 2011 Annual Meeting and the election of their successors. The nine nominees for election are listed below. We do not know of any reason why any of the nominees would be unable to serve as a director. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the board may nominate.

Corporate Strategy

Our strategy for 2010 – 2015 aims to place XYZ, Inc. as the leading provider of our products/services in the global market. To fulfill this goal, we are focused on maintaining our leading market position in our existing markets and expanding profitably into new products, services, and geographies. Our strategic goals are supported by our ongoing investments in several areas: protecting and enhancing our brand; improving product quality; enhancing customer service; expanding our supply chain and distribution platforms; and supporting the sustainable well-being of our employees and communities. The competencies we seek in our directors must support our strategy and actions.

The nominating and governance committee oversees the evaluation of individual board members, committees, and the whole board, with the assistance of a third-party facilitator when needed. The evaluation seeks to ascertain, among other things, whether the board and its committees are functioning effectively and have the necessary skills, backgrounds, and experiences to meet XYZ, Inc.'s evolving needs.

Qualifications for All Directors

To be considered for board membership, *all* individual directors of XYZ, Inc. should possess wisdom and financial literacy. Our board believes that directors should be committed to representing the long-term interests of all shareowners. The directors we seek must exhibit a commitment of both time and active attention to fulfill their fiduciary obligations. Generally, this means that directors should ensure that they have the time to prepare for meetings; attend board and committee meetings and the annual meeting of shareholders; consult with management as needed; and address crises should they arise.

We also expect our directors to stay informed about issues that are relevant to the company. Ongoing director education provided either by the company or by a third party is an important part of this requirement. The nominating and governance committee's evaluation of nominees takes into account the ability of nominees to contribute to the diversity of gender, ethnic background, and professional experience represented on the board. The committee reviews its effectiveness in balancing these considerations when assessing the composition of the board.

Below we identify the key qualifications and skills our directors bring to the board that are important in light of XYZ, Inc.'s strategic direction. The directors' individual

qualifications and skills that the board considered in their renomination are included in the directors' individual biographies.

- Leadership experience¹
- Finance experience
- Industry experience
- Public relations experience
- Government experience
- Strategy formation experience
- International experience
- Governance experience

Board Skills Matrix

The chart below summarizes the specific qualifications, attributes, and skills for each director. An “X” in the chart below indicates that the item is a specific reason that the director has been nominated to serve on the board. The lack of an “X” does not mean the director does not possess that qualification or skill. Rather, an “X” indicates a specific area of focus or expertise of a director on which the board currently relies.

Required Expertise	Board of Directors								
	D1	D2	D3	D4	D5	D6	D7	D8	D9
Leadership	X	X							
Finance	X		X				X		
Industry		X	X		X				X
Public relations					X				
Government	X					X		X	X
Strategy formation				X					
International				X					
Governance		X				X			

2010 Nominees for Director

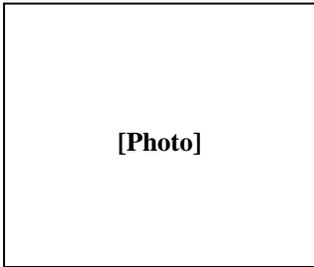
The nominating and governance committee has nominated the following candidates for election as directors. All of the nominees are independent under New York Stock Exchange corporate governance rules, except the chairman, who is also the chief executive officer.

The board of directors recommends a vote FOR the election of each of the following nominees.

¹ Boards may wish to expand and define each of these skills or attributes.

John Doe

John Doe is the president and CEO of ABC Risk Consulting Company, a position he has held since May 2007. As a retired partner of Global Professional Services firm (GPS), Mr. Doe is a recognized expert on corporate governance, executive compensation, and corporate board transformation. After retiring from the firm in 2005, he began serving on the XYZ, Inc. board. Having served on and chaired the audit committee as a director,



as well as having served as an audit partner, John routinely counsels audit committees in critical areas, such as risk oversight. He possesses extensive SEC and other regulatory experience, and is especially knowledgeable about the financial services industry. He received his bachelor's degree in accounting from the University of Delaware. He is a CPA (inactive status) in New York. Mr. Doe is also a member of the National Association of Corporate Directors. Mr. Doe has no current or recent legal transactions pending against him.

Disclosure of Specific Attributes and Skills for John Doe

Desired Expertise	Discussion of Skills and Attributes
Finance	Mr. Doe's financial expertise comes from a career of audit and accounting experience at GPS, as well as from serving as the audit committee chairman at XYZ, Inc., a Fortune 500 firm. Mr. Doe also provides financial and audit instruction to directors from around the country at NACD's Director Professionalism [®] courses.
Industry	Mr. Doe has extensive contacts with experts from organizations within this industry. His deep knowledge and understanding of the various players and influences in the retail sector is an asset.
International	As a partner for GPS, Mr. Doe oversaw operations in Asia, specifically in Japan and South Korea. He has a deep knowledge of business practices in both countries and aids in XYZ, Inc.'s growth in these countries.

Continuing Education in 2009: Description and Provider

Governance conferences
In-house training
Webinar
ABA seminar
University seminar