

## [Blogs](#)

June 13, 2022

### Director Overboarding: Nip Any Problems in the Bud

For quite some time now, the perils of directors serving on too many boards - known as "overboarding" - have been well known and frowned upon. Directors serving on too many boards tend to have limited time available to focus properly on the tasks at hand. Some - or all - of the entities for which that overboarded director serves may wind up suffering.

Proxy advisors and institutional investors typically address overboarding in their annual voting guidelines, with four or five directorships typically being the threshold. These limits are generally lower for CEOs and other executive officers, which makes sense since directors with full-time jobs have less time available compared to full-time board members.

For example, the latest [ISS Proxy Voting Guidelines](#) and [Glass Lewis Policy Guidelines](#) for US companies each set five total board memberships as a threshold, with a lower limit for CEOs - ISS permits two other board memberships while Glass Lewis permits one other board membership for CEOs. Additionally, Glass Lewis typically limits directors to serving on no more than three audit committees (or four if the director is a former CPA, CFO or similar) given the additional time required to be an active audit committee member.

Perhaps one oddity is that the focus of these voting guidelines is on public company directorships. They often do not take account any directorships at private companies or non-profits, even though working for those boards might take up as much time as service on a public company board.

### **Being Proactive to Stave Off an Issue**

One way to avoid having the difficult conversation where an overboarded director is told that they might have to leave one of their directorships is to educate all of your directors so they avoid the problem in the first place.

That education often starts with the company implementing a policy that addresses overboarding and then making sure someone is tracking compliance. Many companies - approximately 72.3% of the S&P 500 and 51.5% of the Russell 3000 in 2022 - have a policy addressing commitment levels for all directors, according to this [report from The Conference Board](#).

These policies - often contained in the corporate governance guidelines - generally set forth the parameters under which a director is considered overboarded for your board. In addition to the general threshold, these policies may address limits for serving on other audit committees or provide lower thresholds to directors with heightened responsibilities - such as the CEO, executives, the board chair or the lead independent director.

Additionally, given that each director's outside commitments can change year to year, you can also consider building into the policy ways to monitor changes. One option is to require that the director seek approval or otherwise notify the nominating committee of any changes. Another is to have the nominating committee actively review each director's outside commitment levels annually as part of the nominating process.

In the case where a director trips over the line, the director and the company will have to decide how to reduce the director's commitments. Of course, it is better to not get to that point. So you're periodically reminding directors of what the cap is - and keeping track if any of your directors are starting to bump up against that limit.

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