

SpencerStuart



2023 U.S.

Spencer Stuart  
Board Index  
Highlights

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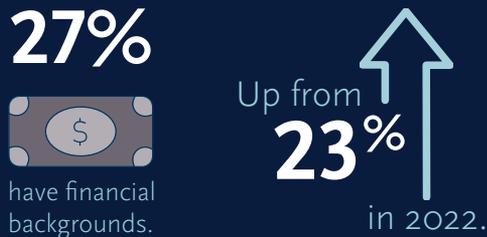
Now in its 38th year, the U.S. Spencer Stuart Board Index analyzes the shifting composition and governance practices of S&P 500 company boards.

We have compiled some highlights from the trends revealed by our in-depth analysis of this year's proxy statements. For more information please read our [full report](#).

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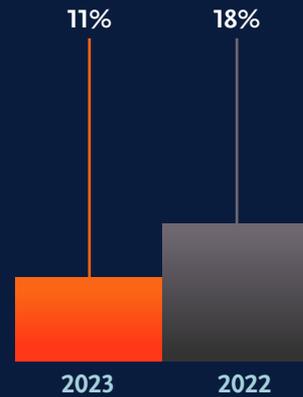
## CEOs AND PEOPLE WITH FINANCIAL EXPERTISE ARE IN DEMAND

Of new directors



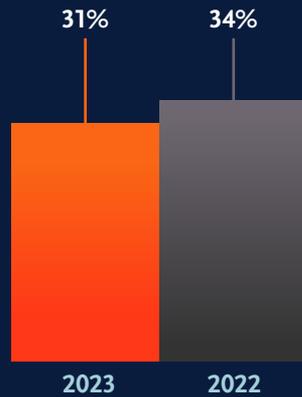
## THE PERCENTAGE OF NEXT-GEN AND FIRST-TIME DIRECTORS DECLINED

Directors aged 50 and younger



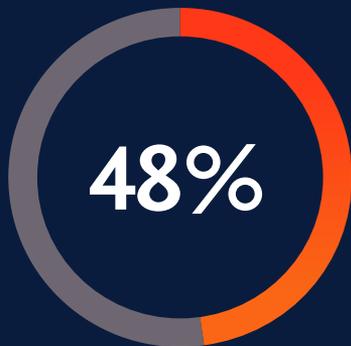
Directors aged 50 and younger make up **11%** of the class of 2023, compared with **18%** of the class of 2022.

First-time directors



**31%** of new directors are first-time directors, down from **34%** in 2022.

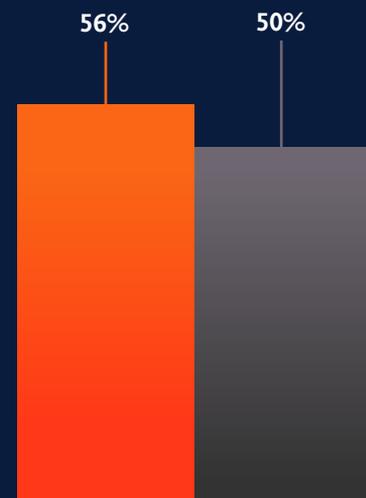
## BOARDS MAINTAIN THEIR FOCUS ON DIVERSITY



**48%** of all directors are diverse, compared with **46%** in 2022.



**97%** disclose composition relating to underrepresented minorities.



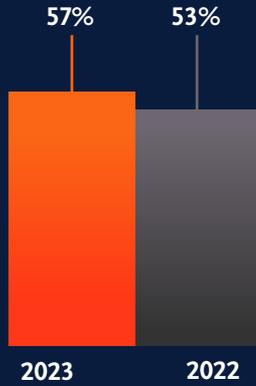
**56%** disclose a Rooney Rule-type commitment to include diverse candidates in searches, versus **50%** in 2022.

**BOARDS CONTINUE TO BE MORE LIKELY TO USE MANDATORY RETIREMENT AS A REFRESHMENT TOOL**



**69%**

of boards have a mandatory retirement age for directors, versus 70% in 2022.

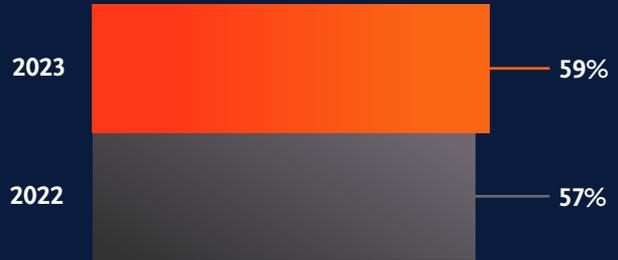


57% set mandatory retirement at 75 or older, compared with 53% in 2022.

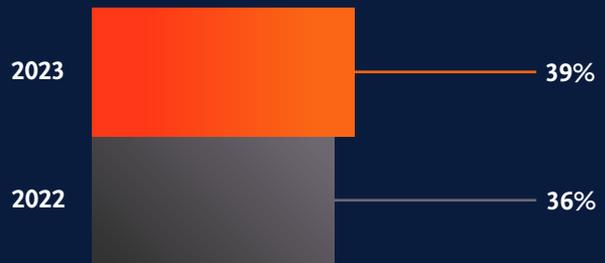


of directors leaving boards in the past year were three years or fewer from mandatory retirement age.

**PERCENTAGE OF INDEPENDENT CHAIRS INCREASED**



59% of boards split the chair and CEO roles, versus 57% last year.

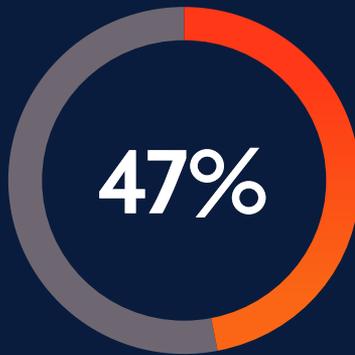


39% name an independent chair, versus 36% last year.

**INDIVIDUAL DIRECTOR EVALUATIONS UNCHANGED YEAR OVER YEAR**



of boards conduct some sort of annual performance evaluation.



disclose having some sort of individual director evaluation.

**DIRECTOR COMPENSATION INCREASED SLIGHTLY**



Average total director compensation increased 2% to \$321,220. (Excluding the independent chair's fee.)

## Our Perspective

### Asking the right questions about board performance

Successful companies understand that their boards and directors are strategic assets. But are they making the most of those assets? As companies navigate an increasingly challenging and fast-evolving business environment, boards need to ask tough questions about their skills, performance, composition and priorities.

#### Do we have the right mix of skills?

Boardroom turnover is consistently low. This year, 53% of S&P 500 boards added at least one new director, but is this level of change sufficient in a dynamic and fast-changing environment? Boards need to stay alert to their changing needs and be proactive in evaluating board composition to secure the right capabilities.

Factors to consider:

- » Are we recruiting directors from a variety of backgrounds, with a wide range of skills and experiences?
- » Is this a high-performing group?
- » Does the current mix of skills align with the company's strategic plan?
- » Are we regularly using tools such as meaningful skills matrices and evaluations to ensure we have the optimum board composition, given the company's emerging issues and strategic direction?
- » What skill sets do we need to strengthen?
- » What are the new or emerging issues of significance to the company, and should we add experts to the board or seek outside expertise on these issues?
- » How are we upskilling directors on critical issues?
- » What are the costs of maintaining the status quo?

#### Do we have a culture of board refreshment?

The average tenure of S&P 500 directors is 7.8 years – almost a year less than a decade ago. While few boards set tenure limits for directors, 69% of S&P 500 boards have mandatory retirement ages, and more than half set the age cap at 75 or older. Boards need to embrace a culture of refreshing their membership to maintain the right mix of experiences and perspectives.

Factors to consider:

- » How effective are our refreshment strategies, including board evaluations and tenure and retirement limits?
- » Do we have the right mix of short-, medium- and long-tenured directors?
- » Have we set and communicated expectations about director tenure?
- » Do we have a multi-year view of departures and upcoming leadership changes?

## Are we evaluating board and director performance effectively?

Almost all S&P 500 boards — 98% — report that they carry out an annual performance evaluation, with 47% undertaking some form of individual director evaluation. But are these evaluations genuinely meaningful and impactful, and constructively impacting board practices, governance policies and board composition?

Factors to consider:

- » How can we enhance the effectiveness of our annual board evaluation?
- » Should we consider using an independent third party?
- » Should we incorporate peer evaluations?
- » Are we willing to have the tough conversations and make difficult decisions about board performance, director performance and company issues?
- » How can we improve our ability to have these conversations?

## Are we demonstrating a long-term commitment to diversity?

S&P 500 boards are becoming more diverse. Directors who self-identify as women and/or an underrepresented minority and/or LGBTQ+ represent a significant majority of directors joining S&P 500 boards and make up a growing percentage of S&P 500 directors overall. They now make up 33% and 24% of boards, respectively.

Factors to consider:

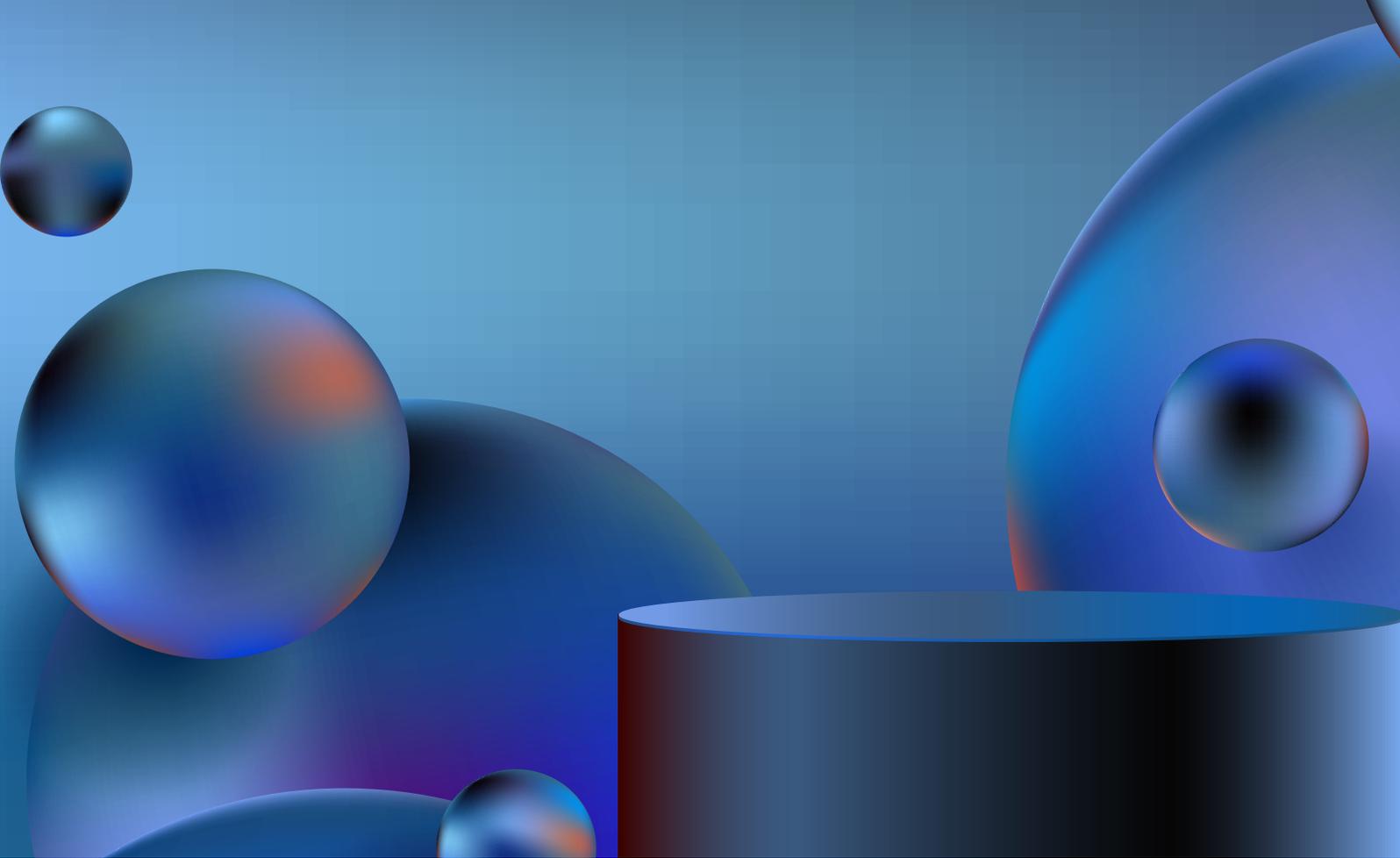
- » How robust are our disclosures regarding our board's diversity philosophy and metrics?
- » How are we expanding our reach and pipeline of talent?
- » How are we ensuring that diversity is a core part of how we refresh the board?

## Is the board spending the right time on the right issues?

As S&P 500 companies navigate a complex and continually changing landscape, boards are being challenged to provide robust oversight on a range of issues. The right approach for yesterday may not be the right approach for tomorrow.

Factors to consider:

- » How are we ensuring an appropriate degree of oversight on emerging issues or areas of growing importance?
- » How can we enhance the way we carry out our oversight responsibilities?



## About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and on the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit [www.spencerstuart.com](http://www.spencerstuart.com).

