

Nominating/Governance Chair Survey 2021

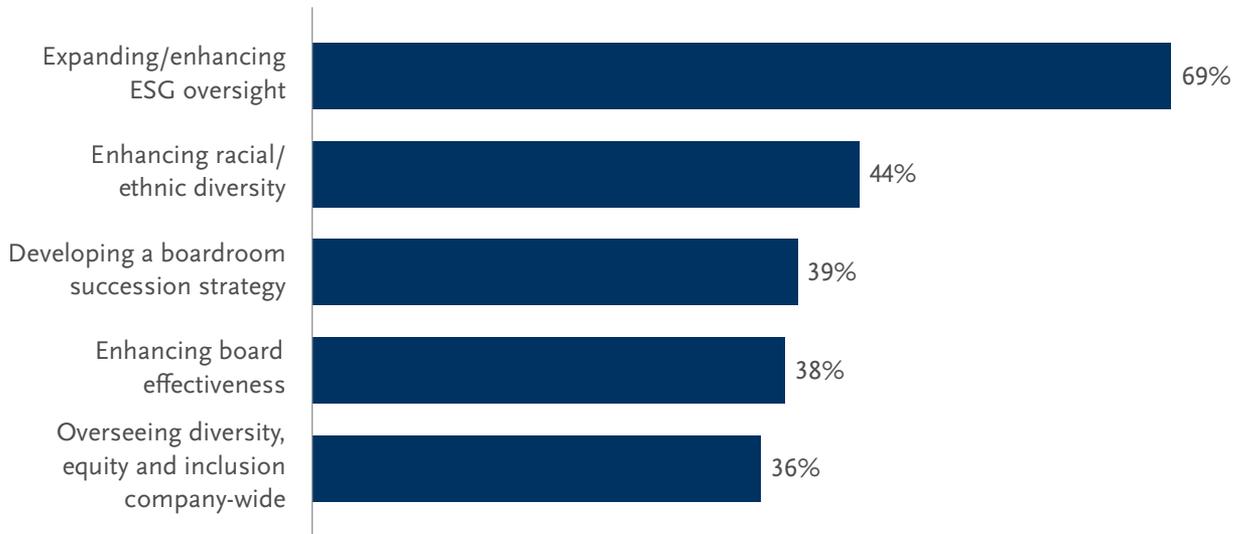
ESG efforts rise to the top of board priorities, with a strong orientation toward increasing diversity.

Our annual survey of S&P 500 nominating/governance committee chairs casts a light on current board trends and priorities. How have things changed — and how have they remained consistent — after a pandemic year? In early 2021, we surveyed 77 committee chairs to find out what is top of mind in the wake of the pandemic and racial justice reckoning, how their recruitment efforts have shifted, and where their board makeup is headed. Here are the highlights.

Nominating/governance committee priorities

Enhancing board diversity remains a high priority, but three new priorities joined the top five list, including today's top priority for nom/gov committees: overseeing environmental, social and governance (ESG) initiatives. Developing a board succession strategy, enhancing board effectiveness and overseeing diversity, equity and inclusion (DE&I) efforts round out the list.

TOP FIVE NOM/GOV COMMITTEE PRIORITIES OVER THE NEXT THREE YEARS



2 out of 5 priorities target corporate and boardroom DE&I



Gender diversity as a recruiting profile **fell from 3rd place in 2020 to 10th in 2021**



Recruitment of women **slowed from 47% in 2020**

What is missing?

Gender diversity, the fourth priority for nom/gov committees last year, did not rank in the top five this year. In terms of recruiting profiles, it fell far — from 3rd place to 10th.

The change in board priorities is also reflected in 2021 proxy composition trends. The recruitment of women slowed: 43% of the new class of S&P 500 directors are women, compared with 47% last year.

Has this movement had its moment?

Or is recruitment of women simply a given priority at this point?

Board performance

18%

The number of nom/gov chairs who reported that their board had one or more underperforming directors **fell from 35% last year**, suggesting that directors stepped up their contributions in response to the challenges of the pandemic or underperformers left these boards.

Recruiting and refreshment

Board refreshment is always top of mind for nom/gov committees, but boards turn over slowly. On average, nom/gov chairs expect one director role to turn over in each of the next three years.

75%

of nom/gov chairs say they start looking for a new director 12+ months before retirement of the current director.

TOP FIVE RECRUITING PRIORITIES OVER THE NEXT THREE YEARS



WHAT THE PROXIES SHOW: THE NEW CLASS OF S&P 500 DIRECTORS IS THE MOST RACIALLY AND ETHNICALLY DIVERSE EVER



Of new independent directors are Black/African American, Asian, Hispanic/Latino/a, American Indian/Native Alaskan or multiracial, **up from 22% in 2020**



Of new independent directors are from underrepresented groups (women and Black/African American, Asian, Hispanic/Latino/a, American Indian/Native Alaskan or multiracial male directors), **up from 59% in 2020**

83%

of nom/gov committee chairs report no issues with recruiting directors with diverse backgrounds — either they already feel they have a diverse board or they have not faced any obstacles in recruitment.

HOW BOARDS ARE INCREASING THEIR RACIAL AND ETHNIC REPRESENTATION



Have **used a global search firm** to identify director candidates with diverse ethnic/racial backgrounds



Have **leveraged the personal networks** of current board directors and management

WHAT'S SHIFTING AND WHAT'S REMAINED CONSTANT IN RECRUITING PROFILES



Global perspective 10th on the list just two years ago, now it's #2



Operational experience Jumped from the #8 spot into the top 5



Financial & Tech experience Have always been top 5 priorities for nom/gov committee recruitment

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