

# 2022 Spencer Stuart Energy Sector Snapshot

Boards of energy companies in the S&P 500 index – a universe of 21 companies – tend to be the oldest and least diverse of all S&P 500 boards.

- » These boards have an average of **10.9** directors, close to the overall S&P 500 average of 10.8.
- » Energy company directors are the oldest of the S&P 500 index, with an average age of **64.6** years compared with the overall average of 63.1. They have a maximum average age of 72.7.
- » Board members have an average tenure of **6.3** years, significantly shorter than the S&P 500 average of 7.8. The maximum average tenure is 10.8 years for energy boards.
- » The energy sector is among the sectors most likely to implement a mandatory retirement age, with **76%** of boards holding such policies compared with 70% of S&P 500 boards overall.
- » The average mandated retirement age for directors of energy firms is **73.9**, slightly older than the overall S&P 500 average of 73.8.
- » Independence of energy boards is consistent with the overall S&P 500 average of **86%**.
- » These boards' average compensation is **\$318,442**, higher than the \$316,091 average for S&P 500 boards overall.<sup>1</sup>

<sup>1</sup> This is average compensation excluding chair pay. The average compensation including chair pay is \$326,062 for energy firms, and \$322,015 for S&P 500 firms overall.

## Diversity

Boards of energy companies perform below the S&P 500 average for diversity across several demographics. Only 37% of their directors belong to historically underrepresented groups (defined as individuals who self-identify in one or more of the following categories: women, underrepresented racial or ethnic groups or the LGBTQ+ community). This falls far below the 46% proportion of S&P boards overall and is the lowest of all sectors in the S&P 500 index.

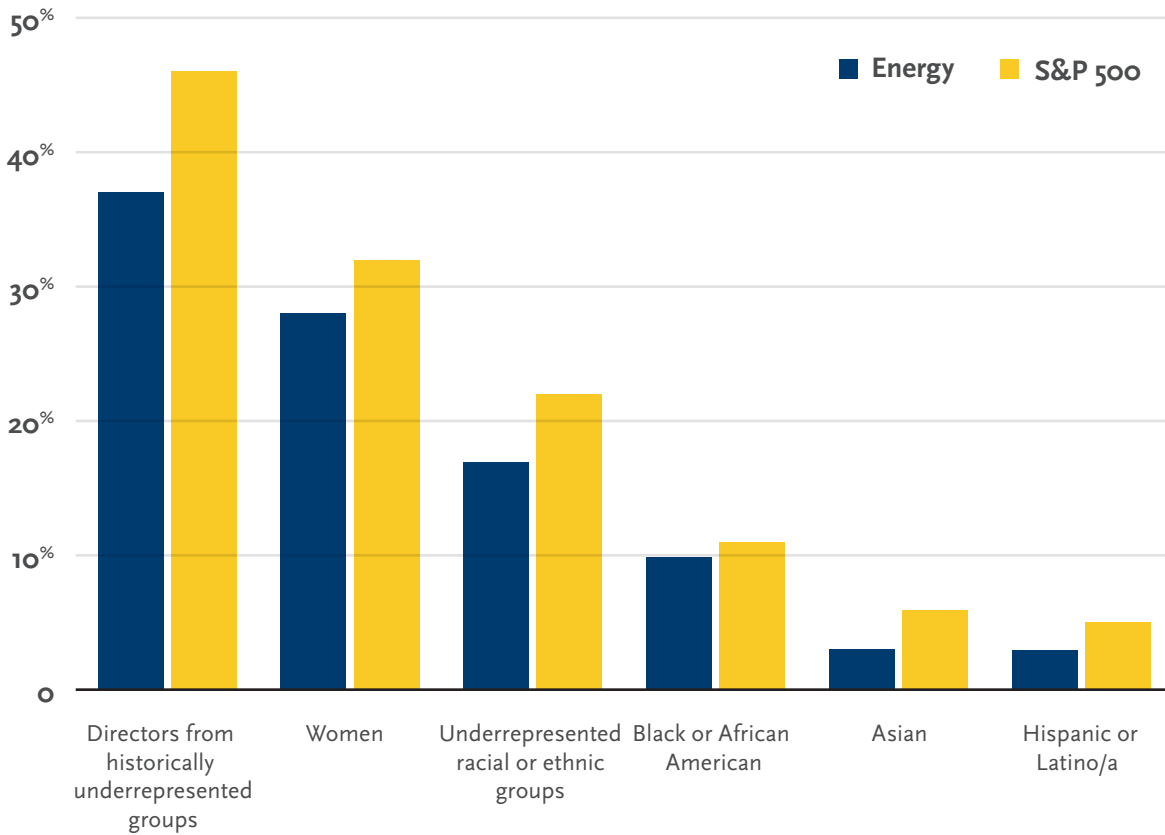
Directors from underrepresented racial or ethnic groups (defined as Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races) constitute only 17% of energy board directors, compared with 22% across all S&P 500 boards. Just 3% are Hispanic or Latino/a, lower than the 5% for S&P boards overall and considerably lower than their proportion of the U.S. population (18.5%, according to the U.S. Census Bureau).

The proportion of Black or African American directors is slightly higher at 10%, but this is still lower than the S&P 500 proportion of 11%, as well as the 13.4% proportion of the U.S. population. The same is true for Asian directors, who constitute 3% of energy board directors, compared with 6% for S&P 500 boards overall and 5.9% of the overall population.

Energy boards are overwhelmingly male, with women representing less than a third (28%) of directors (compared with 32% across the S&P 500). Again, this is the poorest representation of any sector in the S&P 500 index. However, every energy board has at least two women, and 67% have three or more.

As many as 43% of energy boards have disclosed director-specific race or ethnicity details, compared with 39% of S&P 500 boards overall, and 57% have adopted a policy like the Rooney Rule, requiring boards to include individuals from underrepresented groups in the candidate pool when recruiting new directors. The proportion of energy companies with this initiative in place is higher than the S&P 500 proportion of 50%.

## DIVERSITY OF ENERGY SECTOR BOARDS



38%

of new independent directors in the energy sector are women

## New independent director backgrounds

A total of 395 new independent directors joined S&P 500 boards in the past year, down from 456 in 2021. The energy sector constitutes 4% of all S&P 500 companies and accounts for 26 of these directors, or 6.5% of the total.

These new independent directors were the oldest of the S&P 500 index, with an average age of 59.2 years compared with the overall average of 57.3 years. Few were new to the role of director, with less than a third (31%) joining the board as first-time directors. This is lower than the overall S&P 500 proportion of 34%.

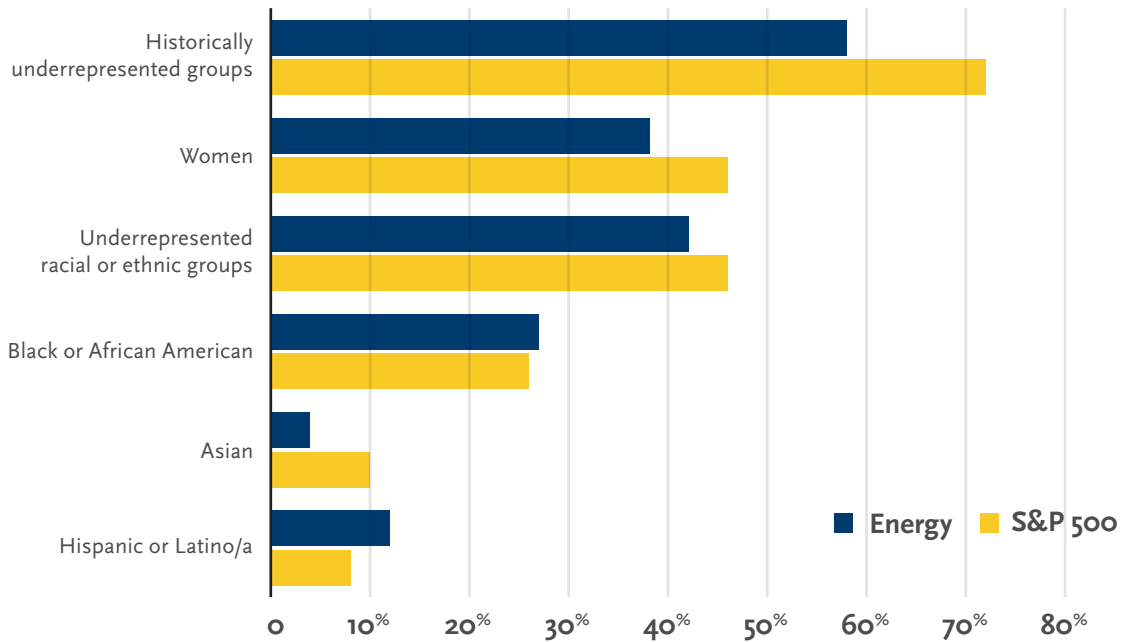
More than half of new directors are from historically underrepresented groups (58%). Energy boards recruited a higher-than-average number of new directors from Black or African American and Hispanic or Latino/a backgrounds (27% and 12%, respectively, compared with the S&P 500 proportions of 26% and 8%, respectively). However, just 4% are Asian, which is lower than the overall S&P 500 proportion of 10%.

The vast majority of these new recruits are male, with just 38% being female. This is far below the S&P 500 proportion of 46% and the second-lowest percentage of all sectors (the lowest is healthcare, at 36%).

Of this incoming class, 8% were next-gen directors (aged 50 and younger), the lowest of any sector in the S&P 500 index, of which 18% overall were next-gen. It also had the highest number of retirees at 73%, compared with the overall proportion of 44%.

Retired CEOs constituted 19% of new directors joining energy boards, higher than the S&P 500 total of 11% and higher than all other sectors.

**DIVERSITY OF NEW INDEPENDENT DIRECTORS JOINING ENERGY SECTOR BOARDS**



## NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

|   | Energy sector | S&P 500 overall |
|---|---------------|-----------------|
| <b>CEOs</b>                                 | <b>23%</b>    | <b>23%</b>      |
| <i>Active</i>                               | 4%            | 12%             |
| <i>Retired</i>                              | 19%           | 11%             |
| <b>Chairs/presidents/COOs</b>               | <b>8%</b>     | <b>3%</b>       |
| <i>Active</i>                               | 8%            | 2%              |
| <i>Retired</i>                              | 0%            | 1%              |
| <b>Line/functional leaders</b>              | <b>23%</b>    | <b>20%</b>      |
| <b>Division/subsidiary leaders</b>          | <b>12%</b>    | <b>13%</b>      |
| <b>Finance/accounting executives</b>        | <b>19%</b>    | <b>22%</b>      |
| <i>Financial executives/CFOs/treasurers</i> | 0%            | 12%             |
| <i>Investment managers/investors</i>        | 12%           | 6%              |
| <i>Bankers/investment bankers</i>           | 8%            | 4%              |
| <i>Public accounting executives</i>         | 0%            | 1%              |
| <b>Academics/nonprofit executives</b>       | <b>0%</b>     | <b>4%</b>       |
| <b>Consultants</b>                          | <b>0%</b>     | <b>2%</b>       |
| <b>Legal</b>                                | <b>8%</b>     | <b>5%</b>       |
| <b>Others</b>                               | <b>8%</b>     | <b>7%</b>       |

## Board leadership

Our research shows most energy CEOs do not chair the board of directors, with 57% of boards separating the roles of chair and CEO, a figure consistent with the overall S&P 500 figure.

The vast majority (71%) include a lead director on their boards, compared with the S&P 500 proportion of 68%. Of these lead directors, 7% come from underrepresented racial or ethnic groups, less than the S&P 500 overall proportion of 10%. However, the energy sector has the highest proportion of female lead directors (27%), exceeding the S&P 500 overall proportion of 14%.

Only 14% of energy boards appoint an executive chair, slightly lower than the overall proportion of 15%. This sector is also unlikely to have an independent chair, with only a third (33%) of boards appointing one, compared with the S&P 500 figure of 36%. Of the few independent chairs that were appointed in 2022, none are female. No chairs were from underrepresented racial or ethnic groups, compared with 9% in S&P 500 firms overall.

## Board organization and processes

Boards in the energy sector have on average 10.9 members, slightly larger than the S&P 500 average of 10.8. Its boards meet more frequently than those of other primary sectors, averaging 9.5 meetings per year, while others average 8.3.

In addition to audit, compensation and nominating/governance committees, 14% also have an executive committee and 10% have a finance committee. However, none of them have a technology committee or a risk committee.

## BOARD ORGANIZATION AND PROCESS

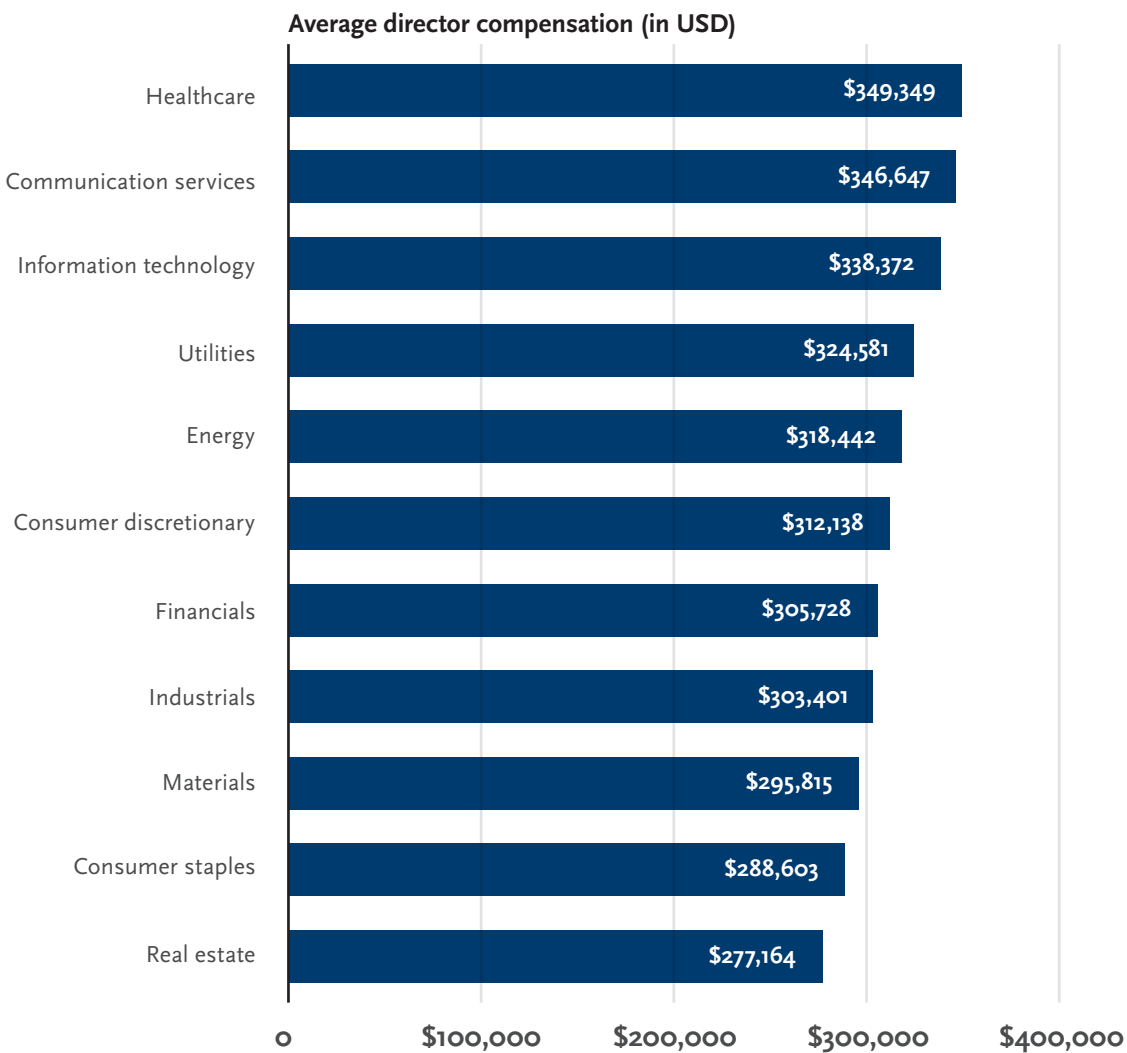
|  | 2022 Energy | 2022 S&P 500 |
|--|-------------|--------------|
| <b>Classified board</b>                | 9.5%        | 11.2%        |
| <b>Board meetings (avg #)</b>          | 9.5         | 8.3          |
| <b>Board committees (avg #)</b>        | 4.2         | 4.2          |
| <b>Audit committee</b>                 |             |              |
| <i>Size (avg #)</i>                    | 4.6         | 4.4          |
| <i>Meetings (avg #)</i>                | 7.2         | 8.2          |
| <b>Compensation committee</b>          |             |              |
| <i>Size (avg #)</i>                    | 4.8         | 4.3          |
| <i>Meetings (avg #)</i>                | 5.0         | 6            |
| <b>Nominating/governance committee</b> |             |              |
| <i>Size (avg #)</i>                    | 4.7         | 4.5          |
| <i>Meetings (avg #)</i>                | 4.7         | 4.7          |
| <b>Mandatory retirement</b>            | 76%         | 70%          |
| <b>Retirement age (avg)</b>            | 73.9        | 73.8         |

## Compensation

The average compensation of directors on energy sector boards is \$318,442, higher than the \$316,091 average for S&P 500 boards overall.<sup>2</sup>

Compared with the S&P 500 average, directors on energy boards receive a higher percentage of their compensation in cash (40% vs 37%) and also receive a slightly higher-than-average percentage as stock grants (57% vs 56%). None of their compensation is paid as stock option grants, compared with the overall S&P 500 total of 5%.

### AVERAGE DIRECTOR COMPENSATION

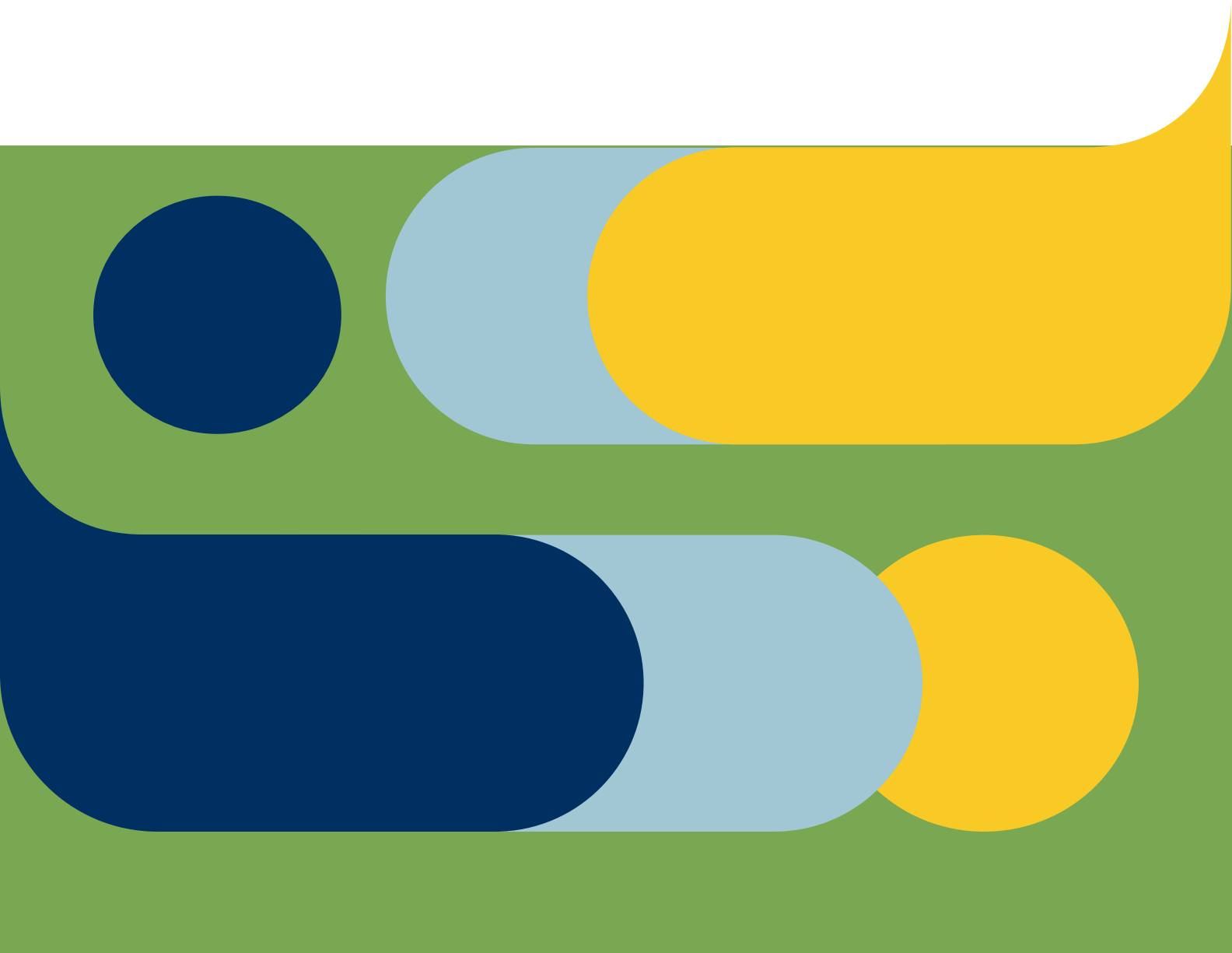


<sup>2</sup> Excluding independent chair's fee. Average compensation including independent chair's fee for energy boards is \$326,062.



## List of energy sector companies

- » APA Corporation
- » Baker Hughes
- » Chevron Corporation
- » ConocoPhillips
- » Coterra Energy
- » Devon Energy Corporation
- » Diamondback Energy
- » EOG Resources
- » ExxonMobil Corporation
- » Halliburton Company
- » Hess Corporation
- » Kinder Morgan
- » Marathon Oil Corporation
- » Marathon Petroleum Corporation
- » Occidental Petroleum Corporation
- » ONEOK
- » Phillips 66
- » Pioneer Natural Resources Company
- » Schlumberger Limited
- » Valero Energy Corporation
- » Williams Companies



## Editor's note

This data draws on the latest proxy statements from 489 companies filed between May 1, 2021 and April 30, 2022.

“Historically underrepresented groups” is defined to mean an individual who self-identifies in one or more of the following categories: i) women ii) underrepresented racial or ethnic groups iii) LGBTQ+ *when disclosed*.

- » “Underrepresented racial or ethnic groups” is defined to mean an individual who self-identifies as one or more of the following: Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races (multiracial).
- » The Asian category includes individuals of Indian descent, consistent with U.S. Census Bureau methodology.
- » LGBTQ+ is defined to mean an individual who self-identifies as any of the following: lesbian, gay, bisexual, transgender, or as a member of the queer community.

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Data in tables may not total 100% due to rounding.

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