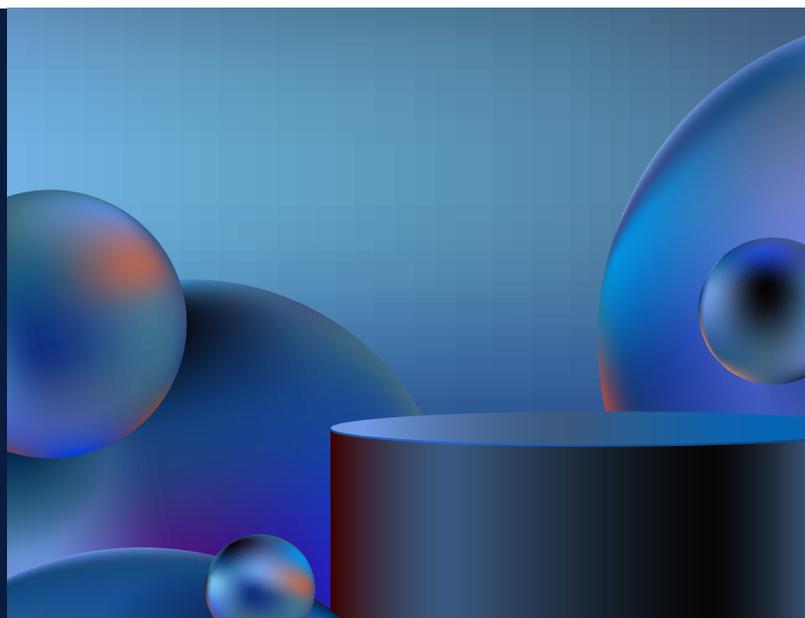


## 2023 S&P 500 New Director and Diversity Snapshot



**What's top of mind for  
nominating/governance  
committee chairs?**

**56%**

say that board  
composition is their  
main focus in the  
coming years

### **Looking ahead: How are boards future-preparing themselves?**

Today's boards face an increasingly complex business environment, an intensifying regulatory environment and growing activism by investors and other stakeholders. In response, they are focusing on their own composition and taking a strategic approach to director appointments.

Here's what the 2023 proxy statements, combined with our own 2023 survey of 141 nominating/governance committee chairs ("2023 survey"), reveal about forward-looking boards:

#### **Board composition is high on the agenda**

- » Nominating/governance committees are scrutinizing board composition, rethinking boardroom needs and planning for refreshment. They are looking again at board matrices — disclosed by 68% of S&P 500 boards — and ensuring that the matrix categories are defined, relevant and specific to their future strategies and risks.

# 38%

say that financial expertise is their top recruitment priority

- » According to our 2023 survey, board composition is the top focus area for nominating/governance committees in the coming years (56%), followed by CEO succession (52%) and ESG oversight (35% — down from the top position in last year's survey).
- » Boards are placing more emphasis on their composition and are enhancing their disclosures around the rationale for the mix of directors. Not only are they increasingly disclosing their board matrix, but some are also tackling the over-checked-matrix problem by limiting directors to a handful of top skills/qualifications. They are making sure that directors' biographies are in sync with the board matrix and are relevant to the company's strategies and the board's needs.

# 25%

are focusing on adding an active or retired CEO or COO

## Financial expertise is now the top recruitment priority

- » Financial expertise is the top recruitment priority (chosen by 38% of survey respondents).
- » Our view is that this focus is less a reflection of boardroom gaps and more the result of natural turnover. It is now 20 years since the Sarbanes–Oxley Act of 2002 finalized the financial expert rules, and the second generation of financial experts are now rolling off boards.

About

# 20%

are prioritizing recruitment of women and underrepresented minorities

## CEOs are in demand

- » Active and retired executives with CEO experience are in demand, with appointments returning to 2018 levels and reversing several years of decline. While 75% of survey respondents say they have enough CEO experience in the boardroom, 25% are focusing on adding an active or retired CEO or COO — the second highest recruitment priority, according to our survey.

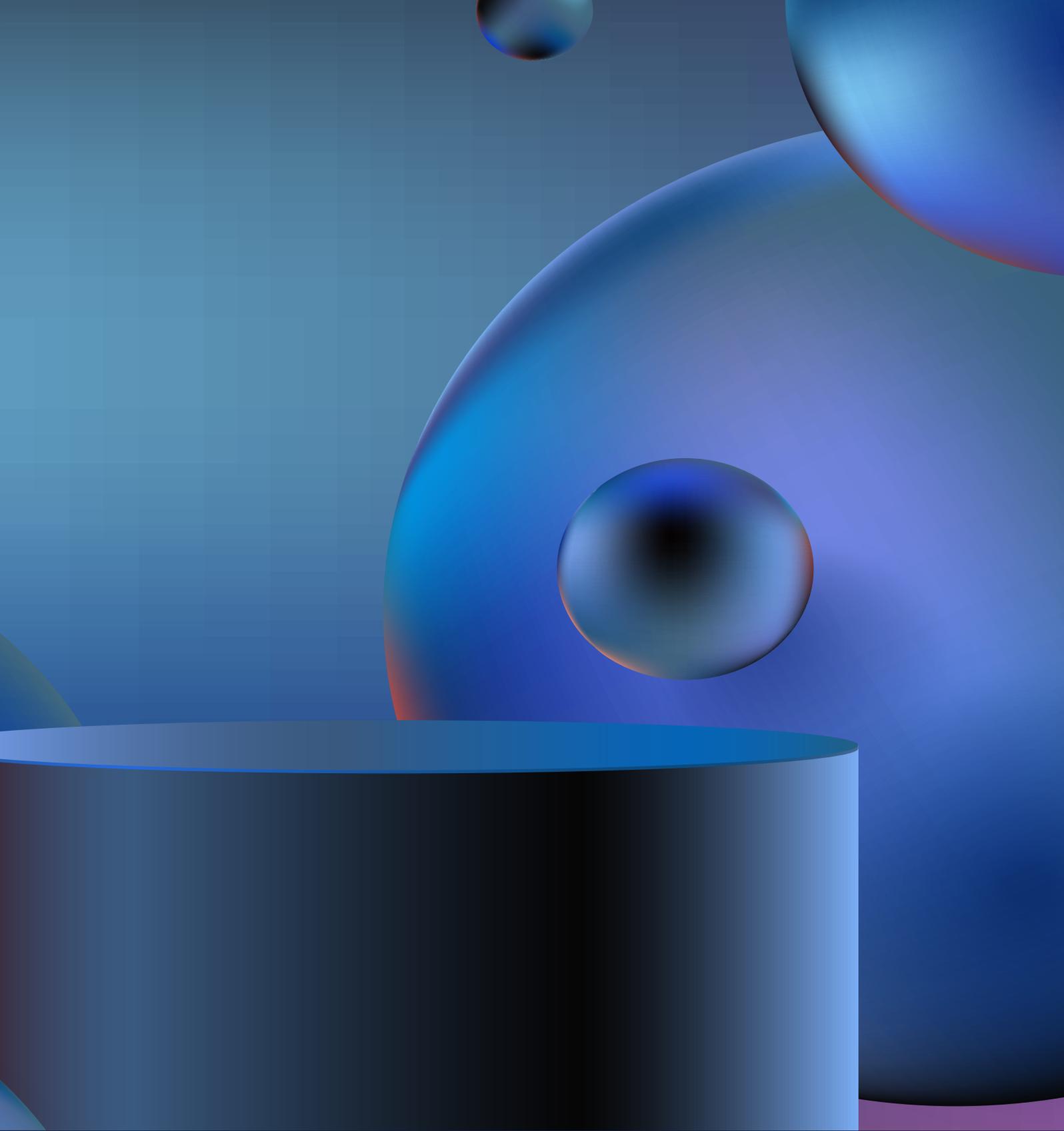
- » Our view is that with fewer CEOs serving as directors, boards today are increasingly interested in recruiting executives with current or very recent experience running a public company, or a similarly complex business unit.

## **Candidates with technology backgrounds are increasingly popular**

- » “Specialist” directors are not generally in high demand, but interest in directors with technology backgrounds is growing.
- » Our 2023 survey reveals that boards are prioritizing the following technology-related skills for recruitment: technology (21%, down from 38% last year), digital (20%, up from 12% last year) and cyber (19%, up from 8% last year).

## **Diversity continues to be important**

- » Specific professional skills are driving director recruitment, but diversity of gender, race or ethnicity and LGBTQ+ remains a consideration for boards. Fifty-six percent of boards disclosed a Rooney Rule-type commitment to include diverse candidates in their searches.
- » Sixty-seven percent of this year’s class of new directors are diverse, defined by Nasdaq as directors who self-identify as female and/or underrepresented minorities (Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities), and/or LGBTQ+.
- » About 20% of respondents to our 2023 survey say their boards are prioritizing the recruitment of women and underrepresented minorities.



# 2023 S&P 500 New Director Snapshot

# Highlights: New directors — S&P 500 boards

**7%** The incoming class of 388 new independent directors represents 7% of all 5,266 directors

**53%** of S&P 500 boards appointed at least one new independent director

## APPOINTMENTS

**30%**

of new directors appointed in 2023 are active or retired CEOs

**27%**

of directors appointed in 2023 have a financial background



Active and retired executive appointments in 2023 are evenly split

## AGE

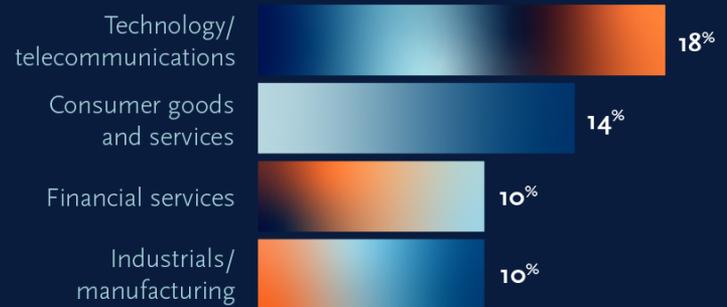


The average age of new directors is 58, a one-year increase from 2022

The average age of first-time directors is 56, a two-year increase from 2022

## INDUSTRY BACKGROUND

New directors are most likely to have the following industry backgrounds:



## INTERNATIONAL EXPERIENCE

Eighteen percent of new independent directors are not from the U.S., a 12.5% increase from 2022



Fifty-four percent of new independent directors have spent time working in an international location, an 8% increase from 2022

## TENURE

The average tenure of an independent director is 7.8 years



Seventy percent of boards have average tenures of between six and 10 years

## Class of 2023: The new S&P 500 directors

S&P 500 boards appointed 388 new independent directors this year, out of a total of 5,266.

More than half of S&P 500 boards (53%) appointed at least one new independent director, down from 2022 (55%) and from 2021's particularly high level of activity when 59% of S&P 500 boards appointed at least one new director and 20% appointed more than one.

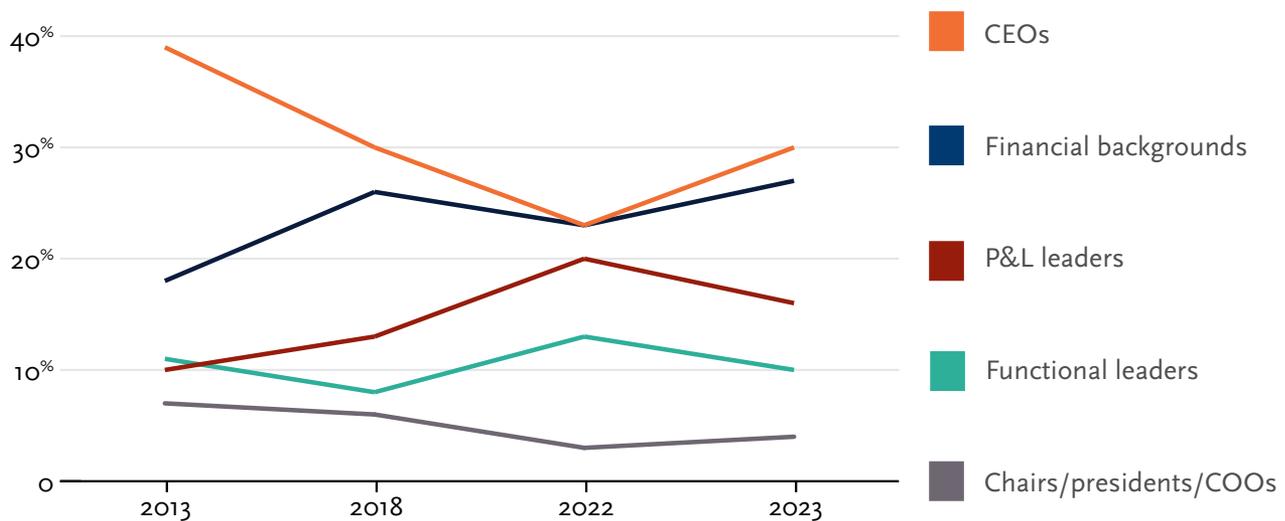
S&P 500 DIRECTORS: NEW INDEPENDENT DIRECTORS				
	2023	2022	2018	2013
Number of new independent directors	388	395	428	339
Boards with at least one new independent director	53%	55%	57%	n/a
Boards with more than one new independent director	18%	19%	22%	n/a
Turnover (new directors as a % of total directors)	7%	7%	8%	6%

## Financial expertise and CEOs are in demand

The 2023 data show changes in new directors' professional backgrounds as S&P 500 boards seek top-level executive experience and financial expertise: boards appointed more CEOs, both active and retired, and more directors with financial backgrounds. Fewer functional and P&L leaders were appointed as directors.

Overall, the class of 2023 is split equally between directors who are actively employed and directors who are retired. This is in contrast with previous years, when active directors were in the majority.

### S&P 500 DIRECTORS: NEW INDEPENDENT DIRECTORS' PROFESSIONAL BACKGROUNDS



<b>S&amp;P 500 DIRECTORS: NEW INDEPENDENT DIRECTORS' PROFESSIONAL BACKGROUNDS</b>				
	2023	2022	2018	2013
<b>CEOs</b>	<b>30%</b>	<b>23%</b>	<b>30%</b>	<b>39%</b>
<i>Active</i>	14%	12%	16%	19%
<i>Retired</i>	16%	11%	14%	20%
<b>Chairs/presidents/COOs</b>	<b>4%</b>	<b>3%</b>	<b>6%</b>	<b>7%</b>
<i>Active</i>	2%	2%	3%	4%
<i>Retired</i>	2%	1%	3%	3%
<b>Financial backgrounds</b>	<b>27%</b>	<b>23%</b>	<b>26%</b>	<b>18%</b>
<i>Financial executives/CFOs/treasurers</i>	15%	12%	11%	6%
<i>Bankers/investment bankers</i>	2%	4%	4%	2%
<i>Investment managers/investors</i>	7%	6%	10%	8%
<i>Public accounting executives</i>	3%	1%	1%	2%
<b>Functional leaders</b>	<b>16%</b>	<b>20%</b>	<b>13%</b>	<b>10%</b>
<b>P&amp;L leaders</b>	<b>10%</b>	<b>13%</b>	<b>8%</b>	<b>11%</b>
<b>Total</b>				
<i>Active</i>	50%	56%	56%	52%
<i>Retired</i>	50%	44%	44%	48%

## The most common industry background for new directors is technology/telecommunications

The most common industry background for the class of 2023, as in 2022, is technology/telecommunications, accounting for 68 appointments (18%). New directors also have backgrounds in consumer goods and services, accounting for 54 appointments (14%), industrials/manufacturing sectors (10%) and financial services (10%).

## New directors are older on average than in previous years, and the proportion of next-generation directors has declined

The average age of new directors is up from 57.3 years to 58 years. The average age of first-time directors has increased almost two years, from 54.4 to 56.3 years.

The proportion of next-gen new directors (those aged 50 or under) has dropped more than a third. They account for 11% of the incoming class of 2023, down from 18% in 2022.

**S&P 500 DIRECTORS: AGE PROFILE**

	2023	2022	2018	2013
Average age of new independent directors	58.0	57.3	57.2	57.5
Average age of first-time directors	56.3	54.4	54.7	55.1
Next-gen directors (% of incoming class)	11%	18%	n/a	n/a
Next-gen first-time directors (% of incoming class)	6%	10%	n/a	n/a

## New next-gen directors are most likely to have an investment background

A fifth (20%) of this year's next-gen new directors have backgrounds in private equity/investment management, up from 7% in 2022; 14% have backgrounds in technology/telecommunications, down from 31%; 11% have healthcare/pharmaceuticals backgrounds; and 11% have industrials manufacturing backgrounds (both up from 8%).

## First-time directors are more likely to be actively employed

Thirty-one percent of the class of 2023 are first-time directors. Directors in this group are much more likely to be actively employed (69%) than retired. They are also much more likely to be actively employed than those who are not first-time directors (43%).

Among first-time directors, the most common professional background is financial: finance executives and CFOs, accounting executives, bankers and investors (28%).

**2023 S&P 500 DIRECTORS: FIRST-TIME DIRECTORS' PROFESSIONAL BACKGROUNDS**

<b>First-time directors % of class of 2023</b>	<b>31%</b>
<i>First-time directors — active</i>	69%
<i>First-time directors — retired</i>	31%
Financial backgrounds	28%
Functional leaders	26%
P&L leaders	15%
CEOs	8%
Chairs/presidents/COOs	7%
General counsels/lawyers	5%
Academics/nonprofit executives	5%

## Directors with global experience continue to be in demand

S&P 500 boards continue to strengthen their global outlook. Among new independent directors appointed in 2023, 54% have spent time working at an international location — a four-point increase from last year.

The number of new directors born outside the U.S. rose two points to 18%, more than double the level a decade ago.

**S&P 500 DIRECTORS: INTERNATIONAL BACKGROUNDS AND EXPERIENCE**

	2023	2022	2021
Have spent time working at an international location	54%	50%	34%
Non-U.S. new directors	18%	16%	11%

**Average board tenure is 7.8 years**

The average tenure of boards has remained unchanged from last year (7.8 years), but has decreased from 8.6 years in 2013.

Seventy percent of boards have an average tenure of six to 10 years, continuing the upward trend from 67% in 2022 and 63% in 2021. This is a 13% increase over the past decade and a 9% increase in the past five years.

**S&P 500 BOARDS: AVERAGE TENURE**

	2023	2022	2018	2013
New boards/less than two years	0%	0%	1%	2%
2–5 years	16%	18%	19%	16%
6–10 years	70%	67%	64%	62%
11–15 years	13%	14%	15%	16%
16–20 years	1%	1%	1%	4%
21 years+	0%	0%	0%	0%
Maximum average tenure of boards	17 years	18 years	20 years	24 years

In 2023, 69% of boards reported having a mandatory retirement policy — down one point from 2022. Fifty-seven percent of boards with age limits set the age of mandatory retirement at 75 years or older, compared with 53% in 2022. Across all S&P 500 boards the average retirement age was 74 years, which has remained unchanged for the past three years.

The number of independent directors who retired or left board service increased 4% from 2022. On average, these directors were 6.1 years within mandatory retirement, compared with 5.6 years in 2022. Thirty-eight percent of departing directors had served the board for less than 15 years, compared with 34% of departing directors in 2022.

**The percentage of diverse new directors has declined**

This year, 67% of new director appointments have been filled by diverse individuals. This is down from 72% in 2022 and 2021, but diverse directors still make up a significantly bigger share of new director appointments than in 2018 or 2013.

DIVERSE DIRECTORS IN THE NEW S&P 500 CLASS						
	2023	2022	2018	2013	Five-year change	10-year change
New directors	388	395	428	339	-9%	14%
% women	46%	46%	40%	24%	15%	92%
% underrepresented minorities	36%	46%	19%	18%	89%	100%
% <i>female</i>	15%	20%	9%	4%	67%	275%
% <i>male</i>	22%	26%	10%	14%	12%	57%
% LGBTQ+ disclosed	<1%	<1%	N/A	N/A	N/A	N/A
% diverse	67%	72%	50%	38%	34%	76%

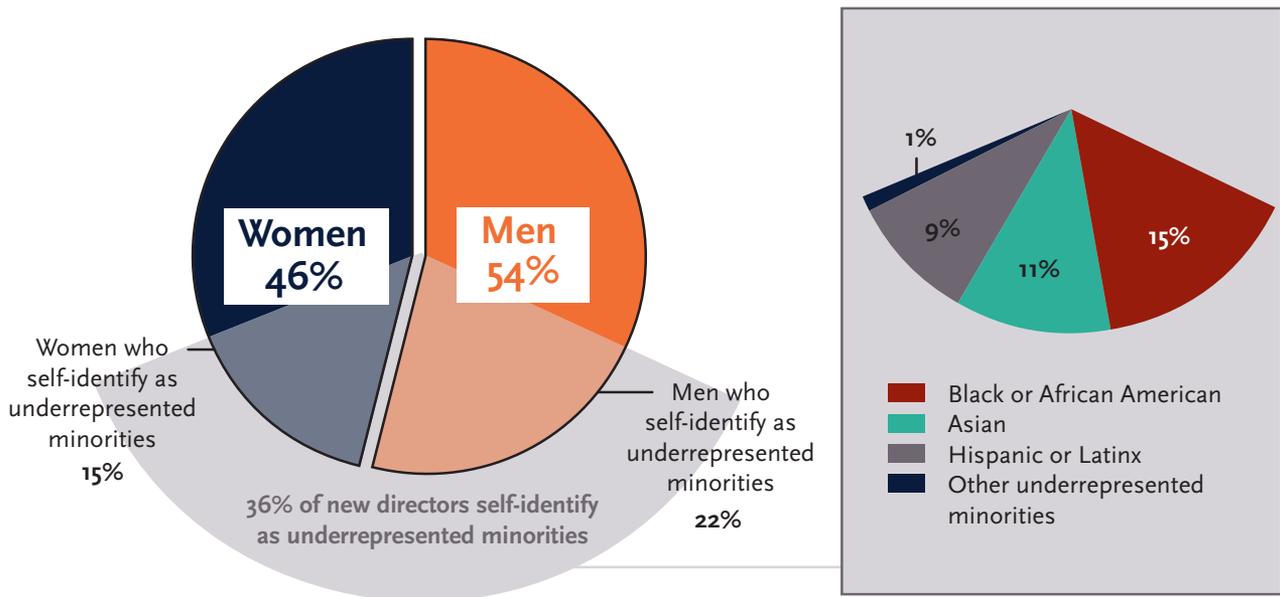
## Nearly half of new directors are women

The percentage of new directors who are women remains the same as last year: 46% of appointments. This is a 92% increase in 10 years and 15% over the past five years. Seventy-eight boards (16%) expanded to add one or more women directors.

Among first-time directors, female directors make up 56% of appointments this year. This is up 12 points from 2022 and more than twice the level of a decade ago, when female directors were a quarter of first-time directors.

Female directors make up a slightly smaller share of underrepresented minorities among the class of 2023 than they did last year.

**NEW S&P 500 DIRECTORS: 2023 BREAKDOWN BY GENDER AND UNDERREPRESENTED MINORITIES**



**The percentage of new directors who self-identify as underrepresented minorities has dropped**

In 2022 and 2021, nearly all of the gains in representation of underrepresented minorities among new directors were due to an increase in Black or African American directors. That increase has not been sustained: this year, Black or African American individuals make up 15% of new directors, less than half the level seen in 2021 (33%). The representation of Asian (11%) and Hispanic or Latinx directors (9%) each increased one point from last year. However, compared with 2013, the number of new directors who self-identify as underrepresented minorities has increased 100%.

Ten percent of boards expanded to add one or more directors who self-identify as underrepresented minorities.

UNDERREPRESENTED MINORITIES IN THE S&P 500 NEW DIRECTOR CLASS				
	2023	2022	2018	2013
New directors who self-identify as underrepresented minorities	36%	46%	19%	18%
Black or African American	15%	26%	11%	10%
Asian	11%	10%	5%	3%
Hispanic or Latinx	9%	8%	3%	5%
Native American or Alaska Native	0%	<1%	0%	0%
Native Hawaiian or Pacific Islander	0%	0%	0%	0%
Two or more races or ethnicities (multiracial)	1%	1%	0%	0%

## Three-quarters of first-time directors are diverse

Of the first-time directors appointed this year, 75% are diverse. This is down from 2022 (82%) and 2021 (86%), but it does represent a significant shift over the longer term: up from 60% five years ago and 39% a decade ago.

Among first-time directors, female directors make up 56% of appointments this year. This is up 12 points from 2022 and more than twice the level of a decade ago, when female directors were a quarter of first-time directors.

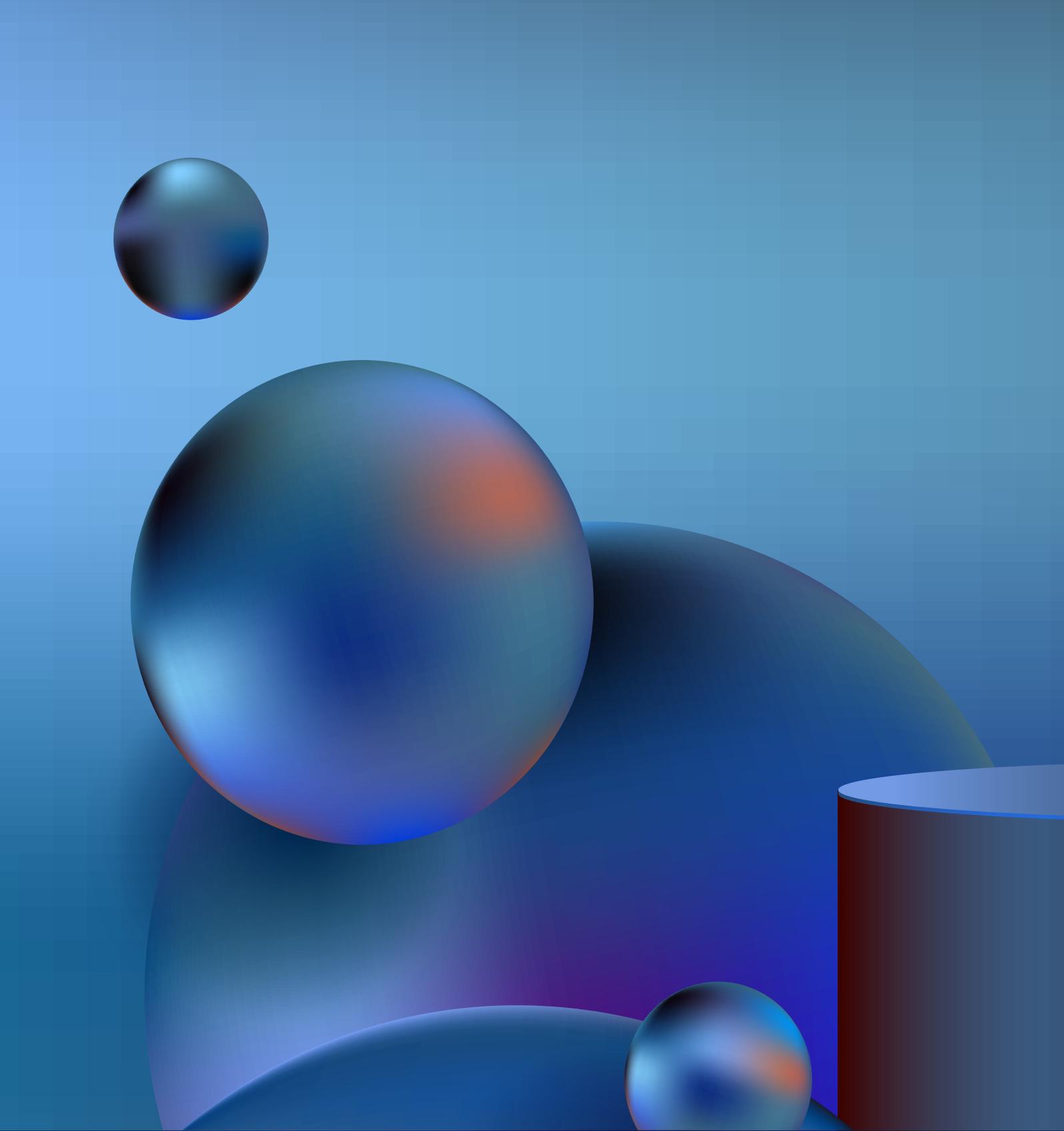
Appointments of underrepresented minorities among first-time directors have dropped from 61% to 36%. However, they remain higher than prior levels (24% in 2018, for example).

DIVERSITY AMONG NEW FIRST-TIME DIRECTORS				
	2023	2022	2018	2013
<b>First-time diverse directors</b>	<b>75%</b>	<b>82%</b>	<b>60%</b>	<b>39%</b>
First-time directors who are women	56%	44%	46%	25%
First-time directors who self-identify as underrepresented minorities	36%	61%	24%	18%
<i>Black or African American</i>	13%	34%	<i>n/a</i>	8%
<i>Asian</i>	16%	16%	<i>n/a</i>	4%
<i>Hispanic or Latinx</i>	6%	10%	<i>n/a</i>	7%
<i>Native American or Alaska Native</i>	1%	1%	<i>n/a</i>	0%
<i>Two or more races or ethnicities (multiracial)</i>	0%	1%	<i>n/a</i>	0%
<i>Women who self-identify as underrepresented minorities</i>	17%	23%	11%	5%

## Diverse directors are younger

The average age of new diverse directors is 57.1, compared with 58.5 among those who are not diverse. Among first-time directors, diverse new directors are 55.9 on average, compared with 56.6 among non-diverse individuals. The average age of these directors is higher than in 2022, as with the average age of new directors overall.

AGE PROFILE OF DIVERSE NEW S&P 500 DIRECTORS		
	2023	2022
Average age of diverse new directors	57.1	56.1
Average age of diverse first-time directors	55.9	53.7

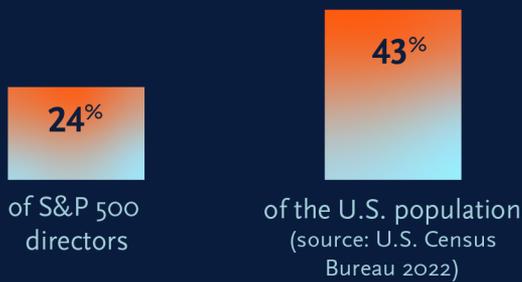


# 2023 S&P 500 Diversity Snapshot

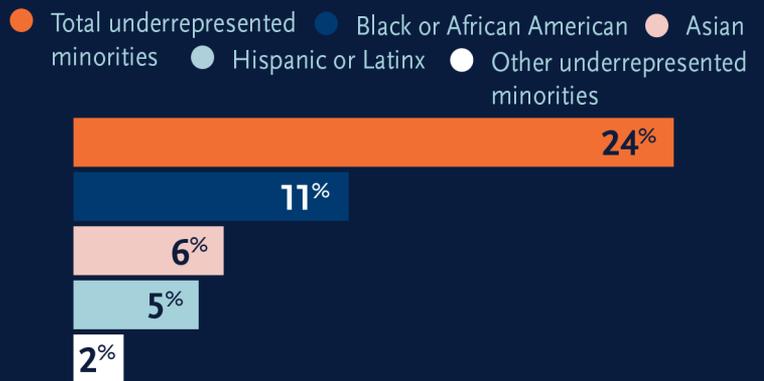
# Highlights: Diversity — S&P 500 boards



## Underrepresented minorities: S&P 500 directors vs. U.S. population



## All S&P 500 directors: Breakdown by underrepresented minorities



## WOMEN



## LGBTQ+ DISCLOSURE

About 98% of boards disclose the gender diversity of their directors as well as the composition of their board in terms of underrepresented minorities

One hundred and twenty-four boards (25%) include LGBTQ+ disclosure in their proxy statements (up from 103 in 2022)

Four percent of directors self-identify as LGBTQ+ (among total directors on boards with disclosures)



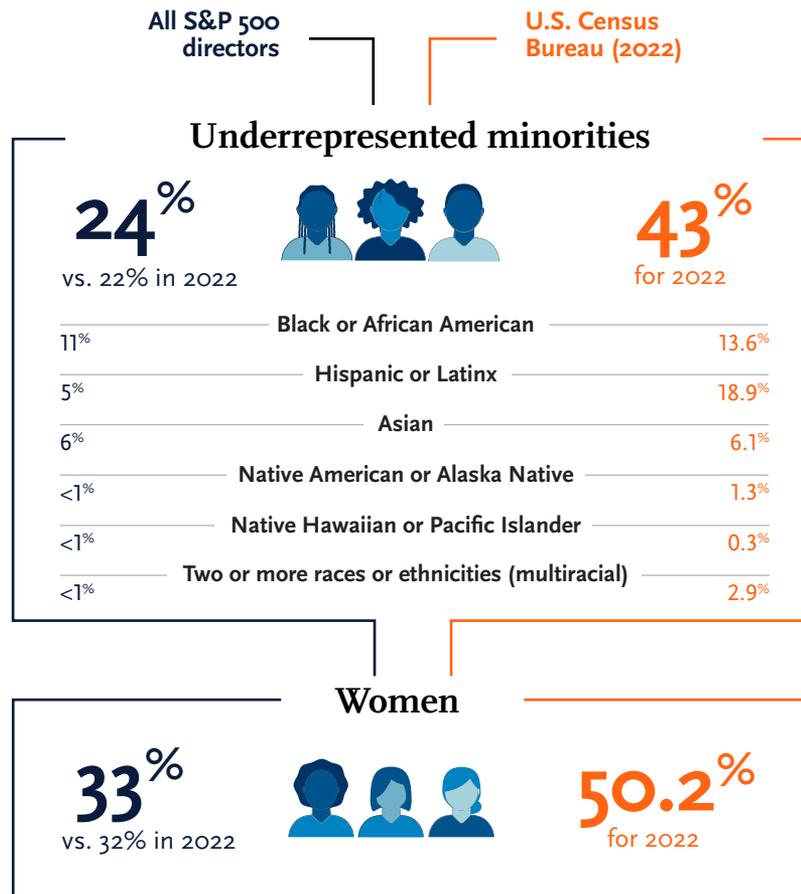
Twenty-eight boards (6%) disclose having a veteran, a two-point increase from 2022

# The diversity of S&P 500 boards continues to increase

The overall diversity of S&P 500 board composition has continued to shift incrementally, with low boardroom turnover impacting year-over-year change.

Some demographic groups on S&P 500 boards more closely reflect the broader U.S. population; others have a significant disparity in representation.

## DIVERSITY OF S&P 500 BOARDS VS. U.S. POPULATION



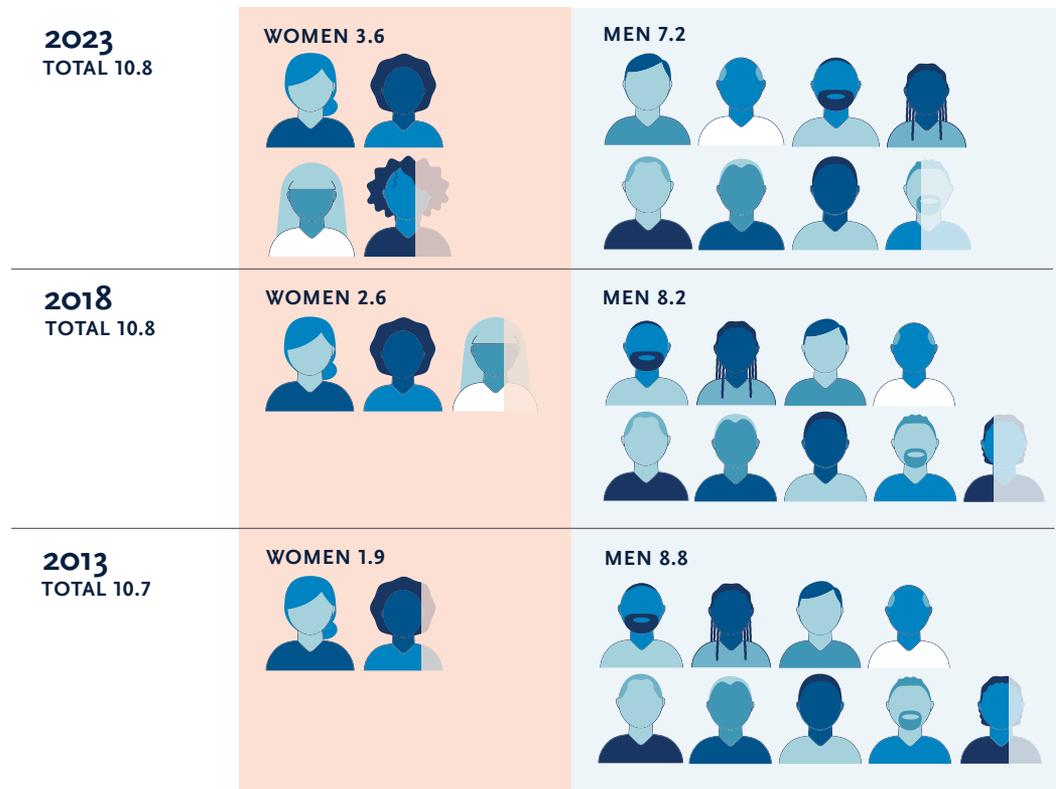
## The percentage of women on S&P 500 boards continues to rise

Female directors now account for 33% of S&P 500 directors, up one point from last year. This is an 83% increase from a decade ago and a 38% increase from five years ago.

Boards today have 3.6 female directors on average, up from 3.4 last year and 1.9 in 2013; 99% of boards now have two or more female directors, compared with 66% a decade ago.

S&P 500 FEMALE DIRECTORS				
	2023	2022	2018	2013
Female directors as a % of all S&P 500 directors	33%	32%	25%	19%
Boards with at least one female director	100%	100%	99%	93%
Average number of female directors on all S&P 500 boards	3.6	3.4	2.6	1.9

### GENDER DIVERSITY ON S&P 500 BOARDS



## Board leadership is still lagging when it comes to diversity

Diversity in board leadership continues to climb, albeit less steeply compared with previous years.

In particular, the representation of women is marginally increasing on all counts. The same is true for the representation of underrepresented minorities in board leadership, which improved a few points from last year in all categories but one — only 8% of S&P 500 independent board chairs self-identify as underrepresented minorities, a decrease of one point from last year.

S&P 500 BOARD AND COMMITTEE LEADERSHIP ROLES				
	Underrepresented minorities		Women	
	2023	2022	2023	2022
Independent board chair	8%	9%	18%	14%
Lead director	12%	10%	15%	14%
Audit committee chair	14%	14%	34%	32%
Compensation committee chair	17%	15%	36%	33%
Nominating/governance committee chair	19%	18%	39%	34%

## Boards are more transparent about diversity

Nearly all S&P 500 boards disclose their gender balance (98%) and composition relating to underrepresented minorities (97%).

More boards this year — 56%, up from 50% last year — report implementation of a policy like the Rooney Rule for candidate pools.

DISCLOSING DIVERSITY ON S&P 500 BOARDS			
	2023	2022	2021
Boards disclosing the gender of directors by name	50%	39%	28%
Boards disclosing gender diversity stats at board level	48%	56%	n/a
Boards disclosing their racial or ethnic composition	97%	93%	60%
<i>Boards identifying directors from these groups by name</i>	47%	41%	28%
Boards making a general statement on LGBTQ+ composition	19%	15%	6%
<i>Boards identifying LGBTQ+ directors by name</i>	7%	6%	n/a
Boards with a policy like the Rooney Rule	56%	50%	39%

## Editor's note

These data draw on the latest proxy statements from 489 companies filed between May 1, 2022, and April 30, 2023.

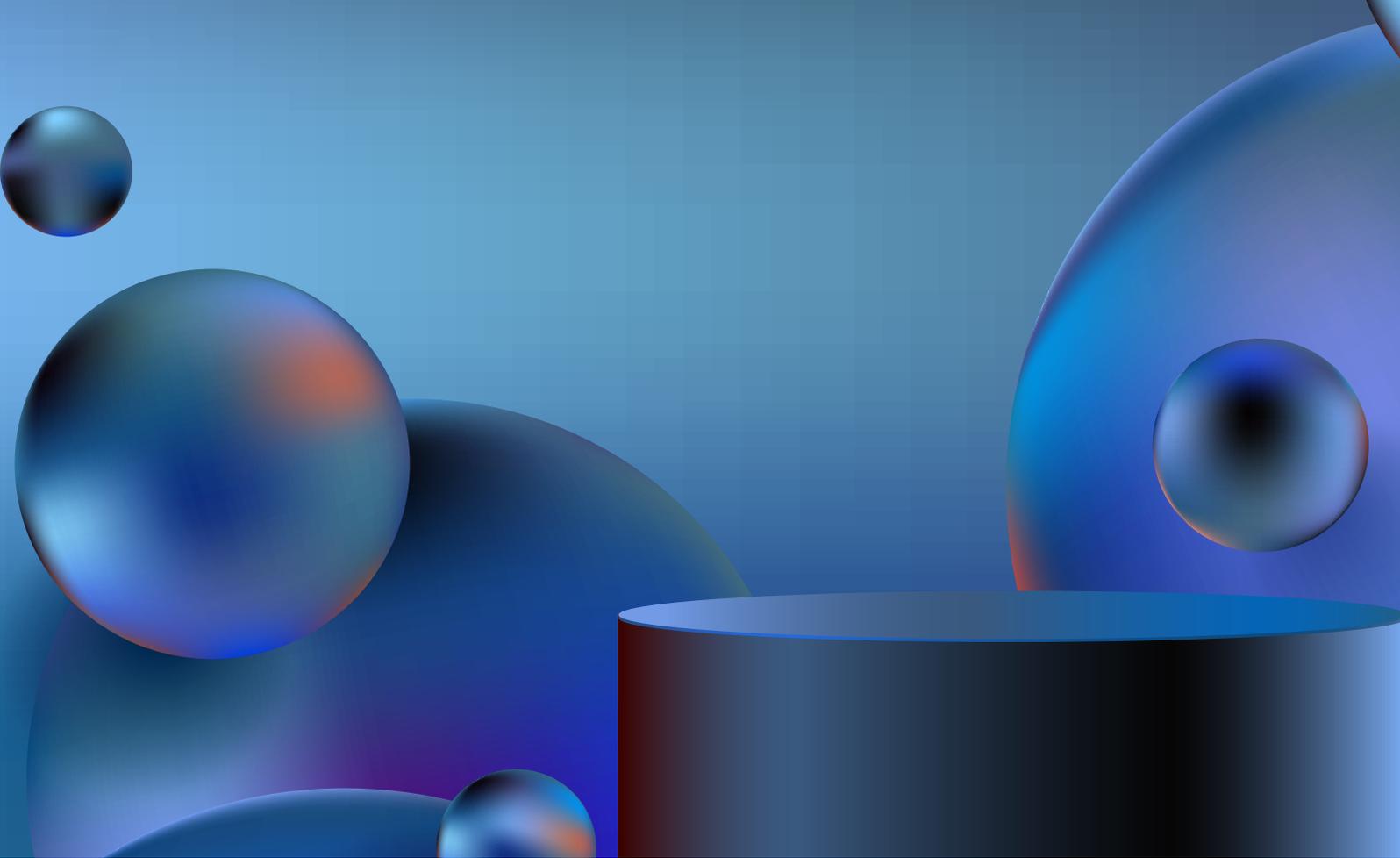
The content presented herein is for informational purposes only. Spencer Stuart has presented this information in good faith and in accordance with applicable laws. Diversity information contained herein was compiled from a variety of sources, and we believe it is directionally accurate; however, we do not warrant the accuracy of such information. You agree not to use this information in violation of any applicable law.

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

### Defining diverse directors

Our reporting on diverse groups is in line with the Nasdaq Board Diversity Rule, with a "diverse director" defined to include:

- » Female, without regard to the individual's designated sex at birth ("female")
- » One or more of: Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities ("underrepresented minority")
- » Lesbian, gay, bisexual, transgender or a member of the queer community ("LGBTQ+")



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