

## 2024 Spencer Stuart Energy Sector Snapshot



Boards of the 22 energy companies in the S&P 500 index tend to be older, shorter-tenured and less diverse than S&P 500 boards.

- » The average age of independent directors on energy boards is 64.8 years, older than the 63.4-year average for S&P 500 boards and the oldest of all sectors.
- » The youngest average age of an energy board is 60.6 years, the oldest is 70.2 years.
- » Energy boards average 11 directors, slightly higher than the 10.8 average of S&P 500 boards.
- » The independence of energy boards averages 87%, compared to 85% for S&P 500 boards.
- » The average board tenure of independent directors on energy boards is 6.8 years, lower than the 7.8 average for S&P 500 boards and the lowest of all sectors.
- » The longest-tenured energy board averages 11.5 years.

## New independent director backgrounds

The 22 energy sector companies added 13 new directors to the boardroom in the past year. Among the energy boards, 41% added at least one independent director — the lowest of all sectors — while 18% added more than one.

Energy sector appointees averaged 60.1 years of age, higher than the 58.2 average for all independent directors joining S&P 500 boards. First-time directors represented 31% of independent directors joining energy boards — lower than the 34% for the S&P 500. NextGen directors (aged 50 or younger) comprised 15% of energy sector appointments, compared to 14% of the S&P 500 incoming class.

Only 15% of the independent directors joining energy boards are actively employed — the lowest of all sectors — compared to 52% of independent directors joining S&P 500 boards this year.

Energy boards recruited in 2024 the highest percentage of chairs/presidents/COOs (tied with the utilities sector) and tied with the financial sector for appointing the highest percentage of consultants. It is the only sector to add no investors to the board. The sector appointed the highest percentage of accountants.

### NEW INDEPENDENT DIRECTOR BACKGROUNDS

	2024 Energy	2024 S&P 500
<b>CEOs</b>	<b>23%</b>	<b>30%</b>
<i>Active</i>	0%	16%
<i>Retired</i>	23%	14%
<b>Chairs/presidents/COOs</b>	<b>15%</b>	<b>3%</b>
<i>Active</i>	8%	1%
<i>Retired</i>	8%	2%
<b>Functional leaders</b>	<b>15%</b>	<b>16%</b>
<b>P&amp;L leaders</b>	<b>8%</b>	<b>8%</b>
<b>Financial backgrounds</b>	<b>31%</b>	<b>29%</b>
<i>Financial executives/CFOs/treasurers</i>	8%	15%
<i>Investment managers/investors</i>	0%	7%
<i>Bankers/investment bankers</i>	15%	5%
<i>Public accounting executives</i>	8%	2%
<b>Academics/nonprofit executives</b>	<b>0%</b>	<b>2%</b>
<b>Consultants</b>	<b>8%</b>	<b>3%</b>
<b>Legal</b>	<b>0%</b>	<b>3%</b>
<b>Others</b>	<b>0%</b>	<b>6%</b>
<b>TOTAL</b>		
<i>Active</i>	15%	52%
<i>Retired</i>	85%	48%

## Board leadership

The chair and CEO roles are separated at 55% of energy boards — lower than the 60% of S&P 500 boards. Executive chairs are in place at 9% of energy boards, versus 14% for the S&P 500. Independent chairs lead 45% of energy sector boards, compared to 39% of the S&P 500. Lead independent directors are named at 64% of the sector's boards compared to 66% of the S&P 500.

## Board organization and process

Energy boards governance practices on majority voting and stock ownership requirements for directors lag the S&P 500.

### DIRECTOR ELECTIONS AND STOCK OWNERSHIP

	2024 Energy	2024 S&P 500
Annual elections of directors	91%	91%
Majority voting for directors	86%	89%
Stock ownership requirements for directors	86%	94%

At 9.1 meetings, on average, during the past year, energy sector boards met the second most across all sectors.

### BOARD AND COMMITTEE SIZE AND MEETINGS

	2024 Energy	2024 S&P 500
<b>Board</b>		
Size (avg #)	11	10.8
Meetings (avg #)	9.1	7.7
Board committees (avg #)	4.3	4.2
<b>Audit committee</b>		
Size (avg #)	4.7	4.5
Meetings (avg #)	6.8	8.1
<b>Compensation committee</b>		
Size (avg #)	4.7	4.3
Meetings (avg #)	4.8	5.7
<b>Nominating/governance committee</b>		
Size (avg #)	4.8	4.4
Meetings (avg #)	4.3	4.6

The most common additional committees for the energy sector are: environmental/health/safety (most of all sectors); social responsibility (most of all sectors); executive; and finance. It has the most innovation committees of all sectors.

### PREVALENCE OF STANDING COMMITTEES

Committees	2024 Energy	2024 S&P 500
Finance	14%	26%
Executive	23%	25%
Science/tech/cyber	5%	17%
Environmental/health/safety	45%	13%
Risk	5%	12%
Social responsibility	32%	7%
Legal	0%	5%
Investment	5%	3%
Strategy	0%	1%
Innovation	5%	1%

## Turnover policies

While energy boards are generally consistent with the overall S&P 500 index when it comes to tenure policies, the sector outpaces the S&P 500 on mandatory retirement policies.

### TURNOVER POLICIES

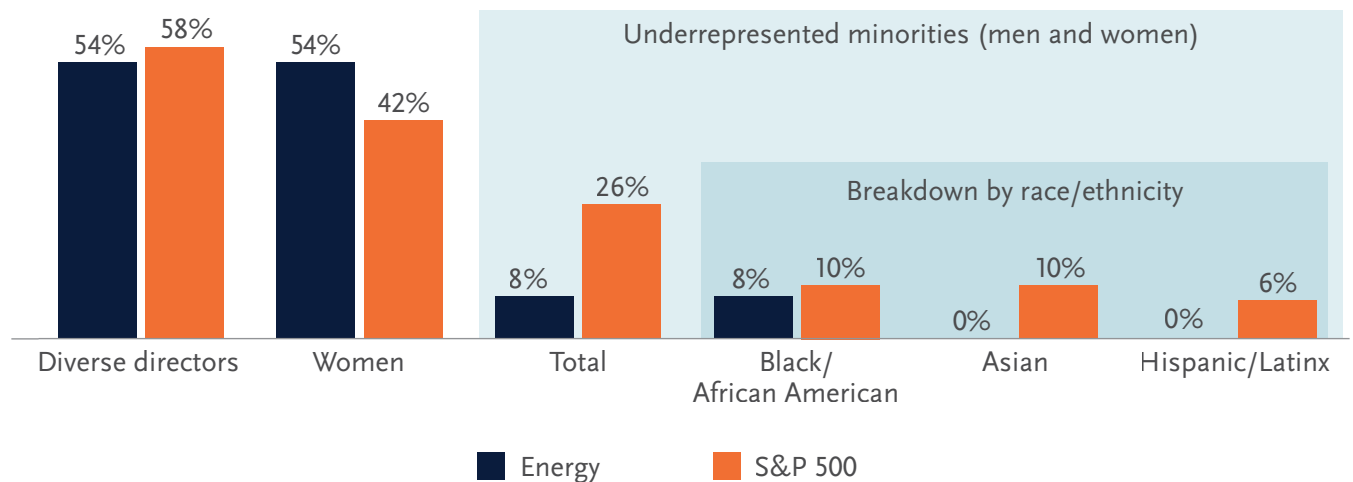
	2024 Energy	2024 S&P 500
<b>Mandatory retirement policy</b>		
<i>% companies</i>	73%	67%
<i>Retirement age (avg yrs)</i>	74.4	74.1
<b>Tenure policy</b>		
<i>% companies</i>	9%	9%
<i>Tenure limit (avg yrs)</i>	12.5	14.7
<b>Material change resignation policy</b>		
<i>% companies</i>	86%	89%

## Diversity — energy incoming class

Directors from diverse communities — defined using the Nasdaq definition of directors who self-identify as female and/or an underrepresented minority (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+ — constituted 54% of the 13 independent directors joining energy boards over the past year, compared to 58% of independent directors joining S&P 500 boards.

The sector appointed the highest percentage of women directors in the past year. It appointed the lowest percentage of underrepresented minorities of all sectors; it is the only sector to appoint no Hispanic/Latinx directors; and it joins the real estate sector as the only one to appoint no Asian directors.

### DIVERSITY OF INDEPENDENT DIRECTORS JOINING ENERGY BOARDS



## Diversity — energy boards

Energy sector boards are the least diverse of all sectors, with 44% of directors serving on energy boards self-identifying as diverse, compared to 50% for the S&P 500. It has the lowest percentage of women and underrepresented minorities of all sectors and ties with the utilities sector for the lowest percentage of Asian directors.

### DIVERSITY OF ALL ENERGY BOARD DIRECTORS

	Diverse directors	Women	Underrepresented minorities (men and women)				Boards with...	
			Black/African American	Asian	Hispanic/Latinx	Total	3 or more women	3 or more URM*
Energy	44%	32%	10%	3%	4%	18%	91%	36%
S&P 500	50%	34%	12%	6%	4%	24%	91%	48%

\* URM refers to underrepresented minorities

## Diversity — board leadership

The energy sector has a higher percentage of women and underrepresented minorities serving as independent chair or lead director compared to the broader S&P 500.

### DIVERSITY — BOARD LEADERSHIP

	2024 Energy	2024 S&P 500
<b>Independent chair</b>		
<i>% women</i>	30%	18%
<i>% underrepresented minority</i>	10%	7%
<b>Independent lead director</b>		
<i>% women</i>	29%	20%
<i>% underrepresented minority</i>	14%	11%

## Energy companies

- » APA Corporation
- » Baker Hughes
- » Chevron Corporation
- » ConocoPhillips
- » Coterra Energy
- » Devon Energy Corporation
- » Diamondback Energy
- » EOG Resources
- » EQT Corporation
- » Exxon Mobil Corporation
- » Halliburton Company
- » Hess Corporation
- » Kinder Morgan
- » Marathon Oil Corporation
- » Marathon Petroleum Corporation
- » Occidental Petroleum Corporation
- » ONEOK
- » Phillips 66
- » Schlumberger Limited
- » Targa Resources Corporation
- » The Williams Companies
- » Valero Energy Corporation



## About Spencer Stuart

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