Nominating/Governance Chair Survey 2025

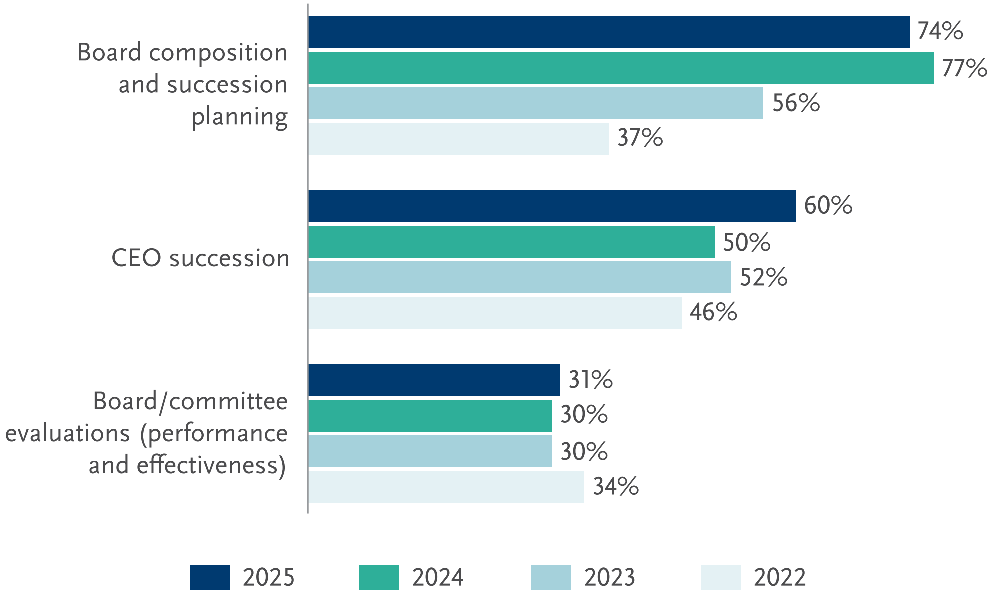
Spencer Stuart's latest annual survey of nominating/governance (nom/gov) committee chairs, conducted in the second quarter of 2025, indicates that nom/gov committees are getting back to basics, refocusing on the fundamental responsibilities of the committee.

Below we look at the highlights of the survey, reflecting the perspectives of 78 S&P 500 and MidCap 400 nom/gov committee chairs who participated in the survey.

Board composition and succession planning hold firm as top committee priorities, while focus shifts from other areas

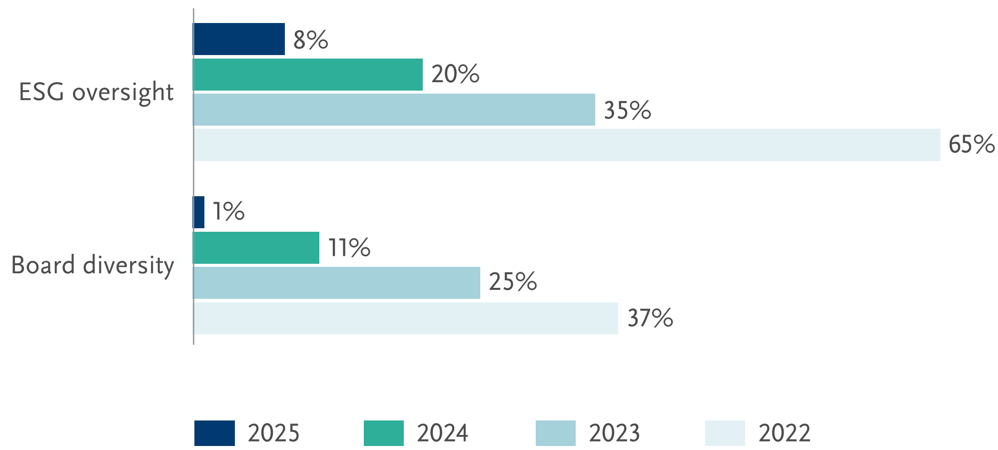
Board composition and succession planning retain their place as the top priorities for nom/gov committees over the next three years, with a slight decline from 77% in 2024 to 74% in 2025.

TOP THREE PRIORITIES FOR NOM/GOV COMMITTEES OVER THE NEXT THREE YEARS



Meanwhile, ESG oversight continues its fall in the rankings: Only 8% ranked ESG oversight as a top priority, a drop from 20% last year and 65% (first place) in 2022. Reasons for the decline may include progress to date on board and committee oversight of the issue and/or pushback on the issue.

ESG OVERSIGHT AND BOARD DIVERSITY FALL IN PRIORITY RANKINGS YEAR OVER YEAR



Diversity is another area of declining prioritization, cited by just 1% of respondents as a nom/gov committee priority, compared to 11% in 2024, 25% in 2023 and 37% in 2022, when it was tied for third overall with board composition and succession planning. That said, the data also show how it remains a part of conversation and consideration among boards. More than four-fifths of nom/gov chairs (83%) say they are maintaining the status quo around how they approach diversity in recruitment and composition, and nearly two-thirds (62%) of nom/gov chairs still actively consider diversity in board composition and recruitment.

When asked about diversity disclosures, 64% said they are not planning any changes. Among the 33% who said they are making changes, 42% said their boards are removing individual director diversity statistics, and 23% report adding aggregate statistics, suggesting a move toward a holistic — rather than individual — view of diversity.

CEO succession planning is an area of focus

CEO succession once again ranks as the second most important item on the nom/gov committee agenda, with a 10-percentage-point increase compared to 2024 (50% to 60%). Indeed, 55% of respondents report that their board is actively driving activities to support CEO succession activities and transitions. Notably, while nom/gov chairs acknowledge the importance of CEO succession, 69% report spending 10 hours or less annually on succession-related activities.

When asked which board committee or role has the formal responsibility for managing CEO succession planning and the CEO selection process, respondents said nom/gov committee (59%), compensation committee (14%) and lead directors (11%).

TOP THREE COMMITTEES OVERSEEING CEO SUCCESSION PLANNING

59%
Nominating/governance committee

14%
Compensation committee

11%
Lead directors

Findings also suggest that large- and mid-cap nom/gov committees are more attuned to emergency succession planning than the broader director population. According to our November 2024 *Director Pulse Survey*, 49% of directors indicated that their boards aligned on an emergency CEO succession plan over the past 12 months. In contrast, the surveyed nom/gov chairs from the largest U.S. companies — who are often at the forefront of governance best practices — report a higher prevalence of formal emergency CEO succession plans: A combined 84% of nom/gov chairs report that their board has either a formal emergency plan in place (43%) or has identified an individual from either management or the board to step in if needed (41%). Almost all remaining respondents (14%) have discussed the topic but have neither a formal plan nor an emergency successor. Notably, among those with a plan in place, 94% report conducting an annual review and updates.

While some boards may choose to conduct succession activities in-house, a majority (51%) engage external advisers for internal candidate assessments. This kind of support can provide a unique and unbiased perspective on internal candidates and targeted guidance on development programs and coaching to better prepare internal candidates.

TOP THREE WAYS BOARDS USE EXTERNAL ADVISERS IN CEO SUCCESSION

51%
Internal candidate assessment

39%
External talent mapping

39%
New CEO profile development

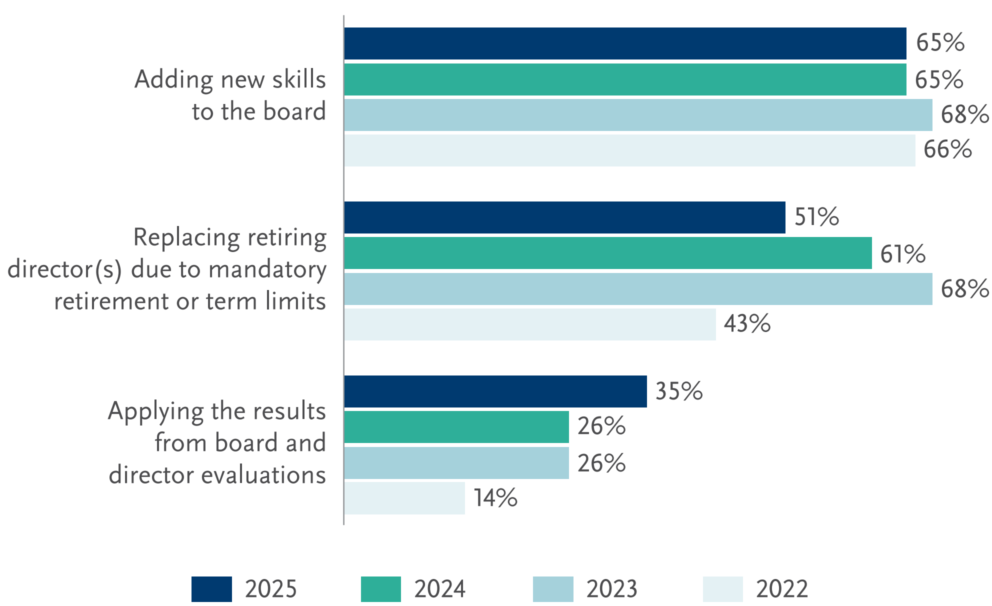
The demand for new skills drives renewal

Twenty-nine percent (29%) of nom/gov chairs say they have one or more directors on their board who should be replaced, up from 26% in 2024. When asked why they felt those directors should be replaced, the top three responses were too long of a tenure (57%), cultural mismatch (26%) and being too busy outside the boardroom (22%). Notably, "cultural mismatch" nearly doubled year over year from 14% to 26%, indicating greater issues around interpersonal dynamics and cultural alignment rather than technical qualifications. This is the first year that tenure was listed as a reason for replacement.

When we asked nom/gov chairs what they feel the top drivers of board refreshment will be in the future, the top three were unchanged from last year. In first place was adding new skills to the board (65%), followed by mandatory retirement policies or term limits (51%). The findings around board refreshment highlight a disconnect between perceptions and policy: Nom/gov chairs claim some directors have overstayed their tenure, yet our *2024 U.S. Spencer Stuart Board Index* found that only 9% of S&P 500 boards have tenure limits. Meanwhile, mandatory retirement policies are in place at 67% of S&P 500 boards, and retirement ages have steadily increased. A decade ago, only 30% of boards with a mandatory retirement age set it at 75 or older: Today, that share has grown to 60%.

Applying the results from board and director evaluations ranks third among anticipated drivers of board refreshment at 35%, up from 26% last year, indicating evaluations are gaining traction as a tool for change.

TOP THREE DRIVERS OF BOARD REFRESHMENT



Strikingly, replacing board members whose skills are no longer a priority has moved up the rankings to position four (17%), meaning skill misalignment now triggers more turnover than performance. This shift may be due to increased investment in mentoring, education and director development. Case in point: 75% of respondents said they worked with directors to change their behavior, up from 17% in 2024. Markedly, no respondents asked directors to leave the board or wait for retirement age, contrasting sharply with last year's results where 83% asked directors to leave and 17% chose to wait for retirement.

TOP THREE AREAS OF DESIRED INVESTMENT FOR DEVELOPMENT, TRAINING AND EDUCATION

75%

Digital/tech

55%

Industry trends

32%

Cyber

Top executive wisdom and digital and technology experience remain leading recruitment priorities with increased focus on global perspective

TOP FIVE DIRECTOR RECRUITING PROFILES

60%

CEO/COO
vs. 51% in 2024

51%

Digital/technology experience
vs. 42% in 2024

AMONG THOSE WHO CHOSE DIGITAL/TECHNOLOGY EXPERIENCE:

33% cited AI expertise

25% cited big data/analytics expertise

20% cited cybersecurity

31%

Global perspective/experience
vs. 22% in 2024

24%

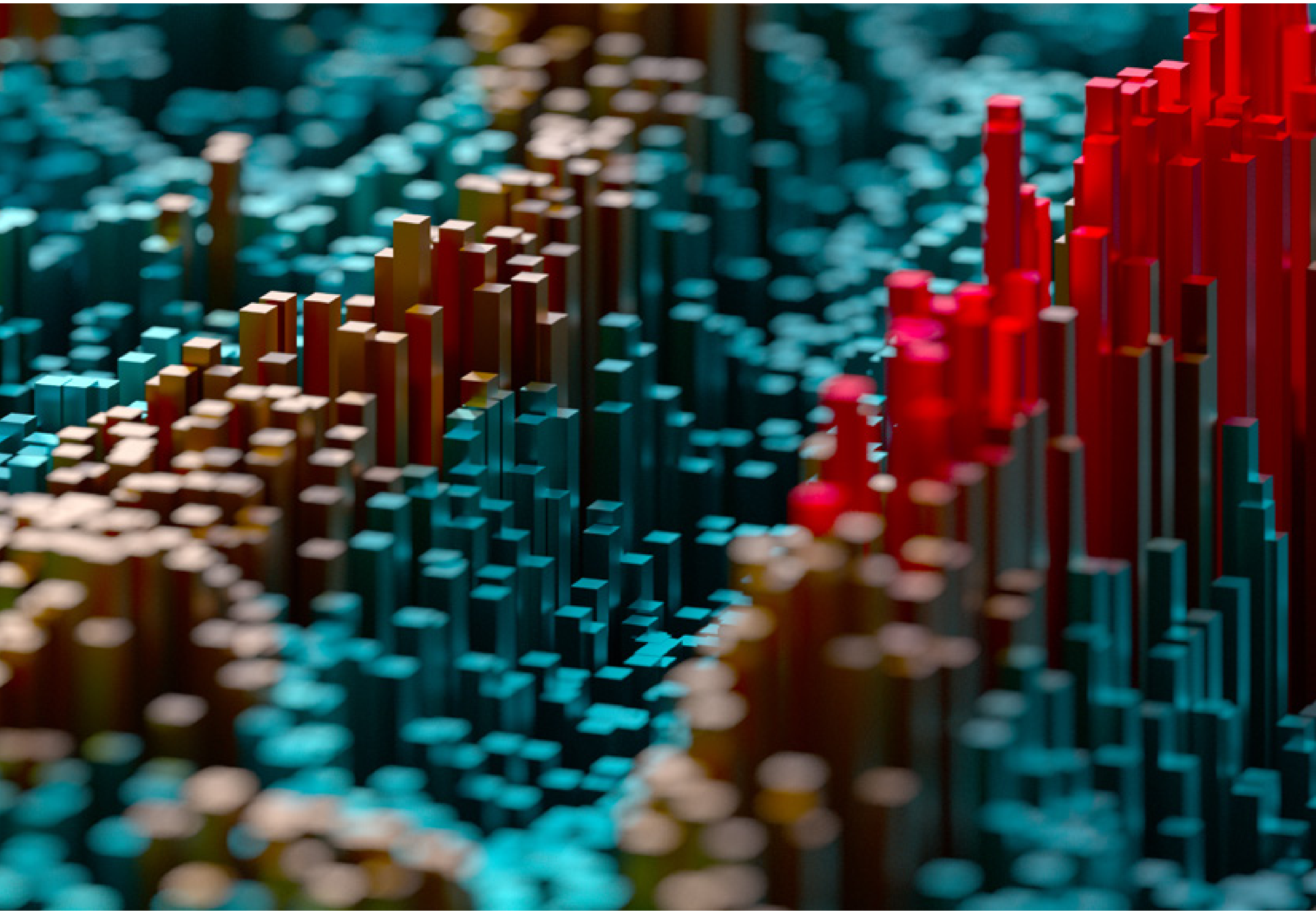
Financial experience
vs. 32% in 2024

24%

Operational experience (GM or P&L leader)
vs. 41% in 2024

CEO experience once again is the top recruiting priority, up 9 percentage points from 2024 (51% to 60%), suggesting a growing emphasis on proven enterprise leadership and strategic decision-making capabilities. Digital and technology experience again ranks second at 51%, up from 42% last year. When asked what kind of digital and tech experience is most important, respondents said AI (33%), big data/data analytics (25%) and cybersecurity (20%) — results that align with findings from our most recent *Measure of Leadership* study.

Global experience rose to third in the rankings (31%), likely reflecting growing board recognition of the need to oversee the navigation of rising geopolitical complexity and volatility. Regulatory and government experience claimed seventh place at 14%, an 11-percentage-point increase from three years ago, likely reflecting the changing global environment around regulatory risk, policy shifts and government scrutiny.



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