

2023 Spencer Stuart Energy Sector Snapshot

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

- » The average age of independent directors on energy boards is 64.8 years, higher than the 63.3 year average for S&P 500 boards and the oldest average of all sectors.
- » The youngest average age of an energy board is 60.8 years, the oldest is 72.5.
- » Energy boards average 11.1 directors, larger than the 10.8 average of S&P 500 boards.
- » Independence of energy boards averages 86%, compared to 85% for S&P 500 boards.
- » The average board tenure of independent directors on energy boards is 6.5 years, younger than the 7.8 average for S&P 500 boards and the youngest of all sectors.
- » The longest-tenured energy board averages 11.8 years.

New independent director backgrounds

Fourteen energy companies — 61% of the sector and the highest of all sectors — added at least one independent director over the past year, outpacing the 53% for the S&P 500 universe. Appointees averaged 59.6 years of age, higher than the 58.0 average for all independent directors joining S&P 500 boards and tied with the real estate sector as second oldest. First-time directors represented just 5% of independent directors joining energy boards — below the 31% for the S&P 500 and the lowest of all sectors.

Thirty percent (30%) of the 20 independent directors joining energy boards are actively employed, the lowest of all sectors and compared to half (50%) of independent directors joining S&P 500 boards this year.

Energy boards recruited in 2023 the highest percentage of active or retired CEOs of all sectors and significantly higher than the 30% for the S&P 500 index. Its recruitment of financial pros and functional leaders was the lowest of all S&P 500 primary sectors.

	2023 Energy	2023 S&P 500
CEOs	55%	30%
<i>Active</i>	25%	14%
<i>Retired</i>	30%	16%
Chairs/presidents/COOs	5%	4%
<i>Active</i>	0%	2%
<i>Retired</i>	5%	2%
Functional leaders	5%	16%
P&L leaders	15%	10%
Financial backgrounds	5%	27%
<i>Financial executives/CFOs/treasurers</i>	5%	15%
<i>Investment managers/investors</i>	0%	7%
<i>Bankers/investment bankers</i>	0%	2%
<i>Public accounting executives</i>	0%	3%
Academics/nonprofit executives	0%	3%
Consultants	5%	2%
Legal	0%	3%
Others	10%	5%
Total		
<i>Active</i>	30%	50%
<i>Retired</i>	70%	50%

Board leadership

The chair and CEO roles are separated at 57% of energy boards — lower than the 59% for the S&P 500 index. Executive chairs are in place at 9% of energy boards, tied with the healthcare sector as the second lowest percentage of all primary sectors, versus 15% for the S&P 500. Energy boards have a higher percentage of independent board chairs compared to the S&P 500 (43% compared to 39% of the S&P 500) and a lower percentage of independent lead directors (61% compared to 65% of the S&P 500).

Board organization and process

Energy boards governance practices are comparable to the S&P 500.

	2023 Energy	2023 S&P 500
Annual elections of directors	91%	89%
Majority voting for directors	87%	88%
Stock ownership requirements for directors	87%	93%

At nine meetings, on average, during the past year, energy sector boards met the most of all sectors.

	2023 Energy	2023 S&P 500
Board meetings (avg #)		
Size (avg #)	11.1	10.8
Meetings (avg #)	9.0	7.6
Board committees (avg #)	4.3	4.2
Audit committee		
Size (avg #)	4.7	4.5
Meetings (avg #)	6.9	8.2
Compensation committee		
Size (avg #)	5.0	4.3
Meetings (avg #)	5.3	5.8
Nominating/governance committee		
Size (avg #)	5.0	4.4
Meetings (avg #)	4.6	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.

	2023 Energy	2023 S&P 500
Committees		
Finance	13%	26%
Executive	17%	25%
Science/tech/cyber	0%	15%
Environmental/health/Safety	52%	13%
Risk	4%	12%
Legal	0%	6%
Social responsibility	22%	6%
Investment	0%	3%
Strategy	0%	1%
Innovation	0%	1%
DEI	0%	1%

Turnover policies

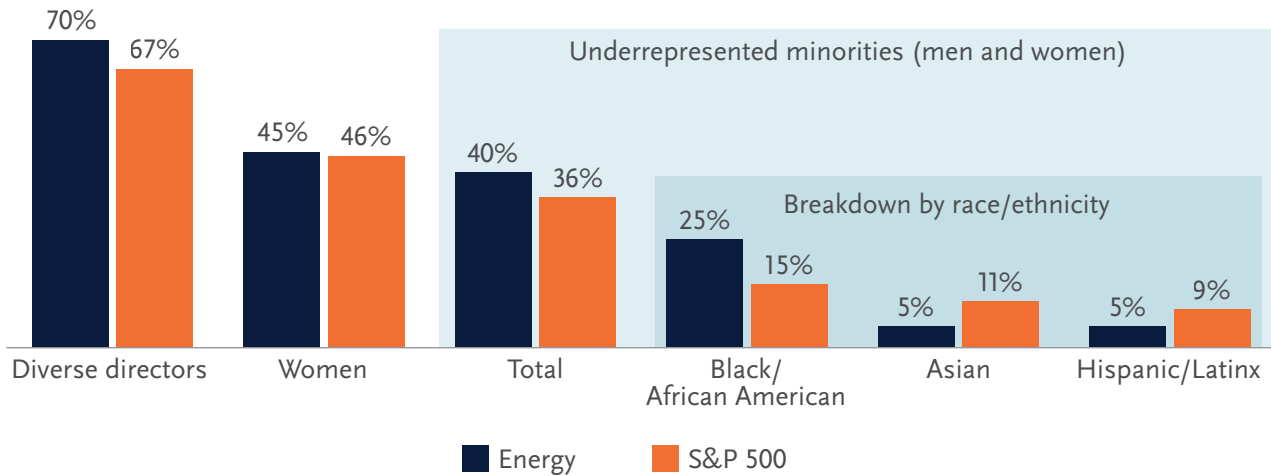
Energy boards are generally consistent with the overall S&P 500 index when it comes to formal turnover policies such as age caps and term limits. Compared to the S&P 500, a smaller percentage of energy boards have policies requiring the submission of a director's resignation in the event of a material change in circumstances.

	2023 Energy	2023 S&p 500
Mandatory retirement policy		
% Companies	70%	69%
Retirement age (avg yrs)	74.4	74.0
Tenure policy		
% Companies	9%	8%
Tenure limit (avg yrs)	12.5	14.4
Material change resignation policy		
% Companies	83%	88%

Diversity — energy sector 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 70% of the 20 independent directors joining energy boards over the past year compared to 67% of independent directors joining S&P 500 boards.

DIVERSITY OF INDEPENDENT DIRECTORS JOINING ENERGY BOARDS



Diversity — energy boards

Energy boards have the lowest percentage of diverse directors of all sectors, including women (tied with industrials sector) and underrepresented minorities.

	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	42%	31%	10%	3%	4%	18%	91%	30%
S&P 500	48%	33%	11%	6%	5%	24%	87%	48%

Diversity — board leadership

The energy sector has the highest percentage of all sectors of women serving as independent chair. It is the only sector with no underrepresented minorities serving as independent board chair.

	2023 Energy	2023 S&P 500
Independent chair		
% women	30%	18%
% underrepresented minority	0%	8%
Independent lead director		
% women	21%	15%
% underrepresented minority	14%	12%

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
- » Pioneer Natural Resources Company
- » Schlumberger Limited
- » Targa Resources Corporation
- » The Williams Companies
- » Valero Energy Corporation



About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit www.spencerstuart.com.

