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Director skills and experiences: disclosure requirements, practices, and key considerations

Society for Corporate Governance

Randi Morrison, *General Counsel & Chief Knowledge Officer*
Merel Spierings, *Vice President, Programming & Content*

Shareholders' rights to elect and remove corporate directors are among the most fundamental rights and a cornerstone of good corporate governance, enabling them to influence the leadership and strategic direction of the companies in which they invest. To help shareholders make informed voting decisions, public companies are *required* by regulation and stock exchange listing standards to provide certain detail and context in their proxy statement about their directors' qualifications. Along with satisfying regulatory requirements, it is *advisable* for companies to highlight the unique combination of qualifications, skills, experiences, and attributes (as used in this chapter, "director skills and experiences") each director—incumbent or new—brings to the board. Additionally, companies should explain how individual directors, as well as the board as a whole, add value in relation to the company's business and strategy.

This chapter explores the information gathering and disclosure practices of public companies related to director skills and experiences. It starts with a high-level overview of key regulatory requirements and investor expectations, followed by an in-depth analysis of companies' data collection and disclosure practices based on a November 2024 benchmarking survey conducted by the Society for Corporate Governance. Drawing on these findings, the chapter concludes with a discussion of key challenges companies face and practical factors they may wish to consider as they strive to provide appropriate and useful disclosures on their directors' skills and experiences. *(Please note that the topics of director and committee member independence as well as board gender, racial/ethnic, and other demographic diversity are outside the scope of this analysis and are therefore not covered in this chapter).*

Disclosure requirements and expectations

Regulatory requirements

The regulatory requirements for US public companies regarding the disclosure of director skills and experiences, established primarily by the Securities and Exchange Commission (SEC), aim to ensure investors have meaningful information about the qualifications of a company's director nominees so that they can evaluate nominees' contributions to the board individually and collectively to make an informed voting decision. The SEC's requirements are laid out in various regulations, notably Item 401(e) (1) of Regulation S-K,¹ which mandates that companies disclose key information about their directors, including the specific experience, qualifications, attributes, or skills that make the person suitable to serve as a director.

Additionally, Item 407(c)(2)(v) of Regulation S-K² requires companies to outline any minimum qualifications that the nominating committee (if present) deems essential for a nominating committee-recommended director nominee, as well as any specific qualities or skills the committee believes are necessary for one or more directors to possess.

Finally, while the SEC does not explicitly mandate that directors possess specific skills or experience, Item 407(d)(5) of Regulation S-K³ requires companies to disclose whether their audit committee includes at least one financial expert.

Investor expectations

Despite variations in explicit disclosure expectations, major institutional investors generally share a focus on ensuring boards have a suitable mix of skills and qualifications to support effective oversight and alignment with company strategy. For example, BlackRock⁴ expects companies

to provide sufficient information on individual director candidates, enabling shareholders to assess their capabilities, suitability, and fit within the overall board composition; State Street Global Advisors⁵ believes the right mix of skills, independence, diversity, and qualifications among directors provides boards with the knowledge and direct experience to manage risks and operating structures that are often complex and industry-specific; and Vanguard⁶ seeks, among other things, *disclosure on the range of skills, background, and experience that each board member provides* and their alignment with the company's strategy (typically presented as a skills matrix).

Disclosure practices

The data in this section are derived from a benchmarking survey conducted by the Society for Corporate Governance among its members in November and December 2024. Respondents—96 primarily corporate secretaries, in-house counsel, and other in-house governance professionals—represent a diverse range of public companies across various sizes and industries. The analysis also includes an examination of similarities and differences in practices and approaches used by large- and mega-cap companies (i.e., companies with a market cap of \$10 billion and up, referred to herein as “large-caps”; n=48) and small- and mid-cap companies (i.e. companies with a market cap under \$10 billion, referred to herein as “small/mid-caps”; n=48).

Information gathering and compilation

Companies rely primarily on questionnaires to gather information on director qualifications for disclosure purposes

Nearly all companies represented by respondents use online or paper questionnaires to collect information on their

directors' skills/ experiences. A majority review publicly accessible disclosures from other organizations with shared directorships. Publicly available online information (beyond the aforementioned disclosures from other organizations with shared directorships) also plays a significant role (see *Chart 1 below*).

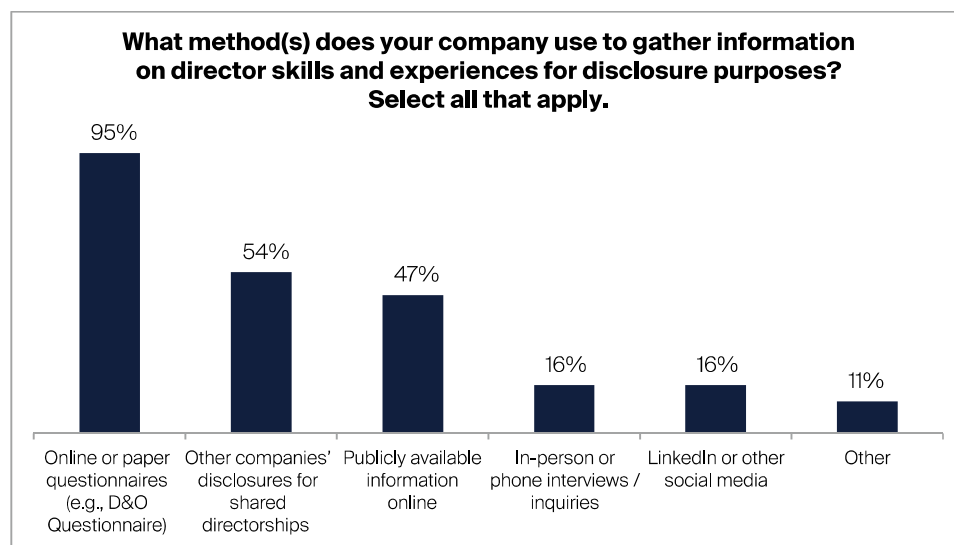
Both large-caps and small/mid-caps predominantly rely on online or paper questionnaires. However, large-caps are more likely to employ additional methods beyond questionnaires: 64% of large-caps assess other companies' publicly accessible disclosures for shared directorships, compared to 44% of small/ mid-caps. Large-caps are also more likely to use publicly available online information beyond the disclosures from other organizations with shared directorships (55% vs.38%). And while both groups are almost equally likely to use LinkedIn or other social media for information gathering, small/mid-caps are more inclined to conduct in-person or phone interviews (20%) than large-caps (13%).

Companies that use online or paper questionnaires to gather information on director skills/experiences employ different methods to compile this data for the proxy statement

The most prevalent approach is to pre-populate a list of each director's skills and experiences based on the prior year's completed questionnaire or proxy statement and ask directors to review and update the information. Another approach is to provide each director with a list of enumerated skills and experiences, asking them to respond in one of several ways: either confirm whether they possess each skill with a simple "Yes" or "No", rank their proficiency on a numeric or qualitative scale, or select from multiple levels of expertise, such as "Expert", "Some experience", or "No experience", to reflect varying degrees of competence (see *Chart 2 on page 306*).

While companies most commonly pre-populate the list of skills and experiences using the previous year's completed questionnaire or proxy statement and ask

Chart 1



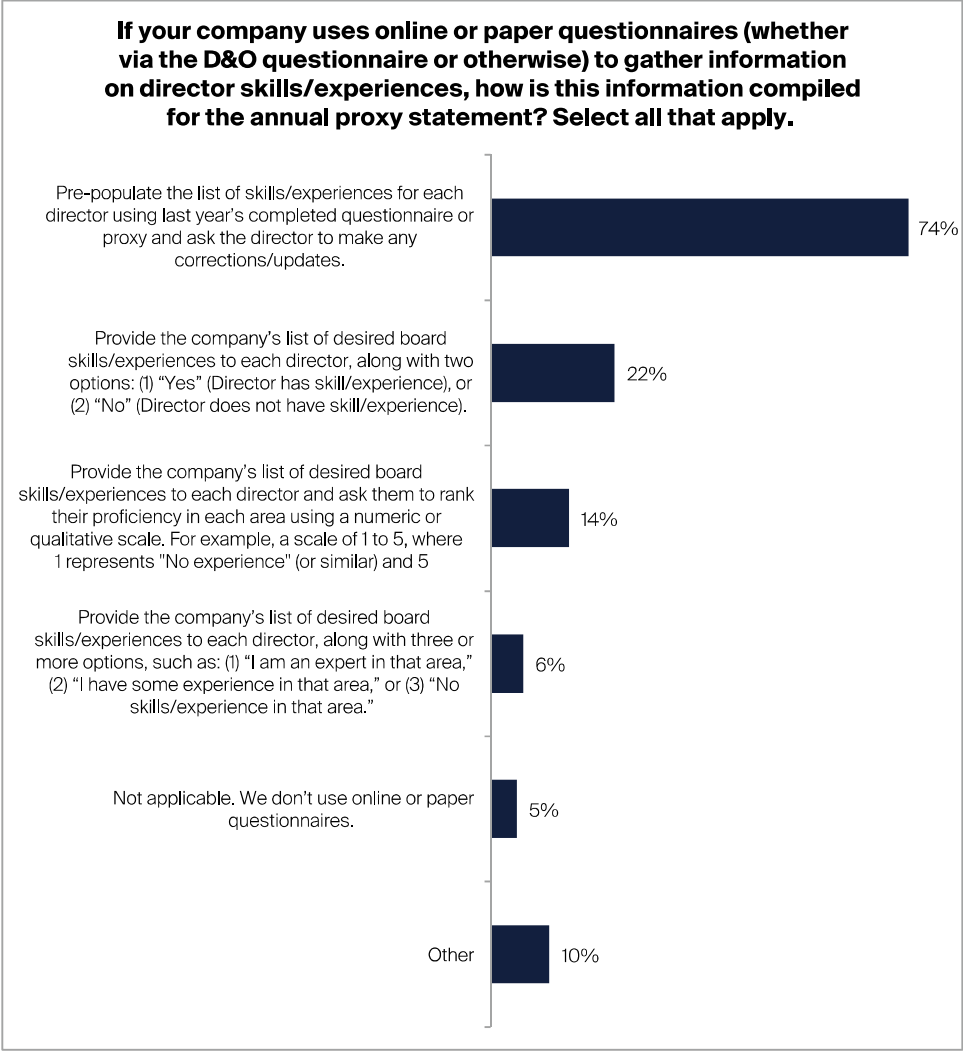
Source: Society for Corporate Governance. N=92.

directors to make updates (71% of large-caps and 78% of small/mid-caps), small/mid-caps are more likely to use additional methods to gather information: 34% of small/mid-caps provide directors with a “Yes” or “No” option to indicate whether they possess a particular attribute from an enumerated list, compared to just 11% of large-caps. Likewise, small/mid-caps

are more likely to ask directors to rank their proficiency on a numeric or qualitative scale (17% vs. 11%) or to select from multiple levels of expertise (7% vs. 4%).

When it comes to limiting the number of skills or experiences a director may select or identify, 82% of companies do not impose any restrictions. In contrast, 13%

Chart 2



Source: Society for Corporate Governance. N=86.

of companies limit the number of skills and experiences a director may select or identify.

Accuracy and relevance of qualifications

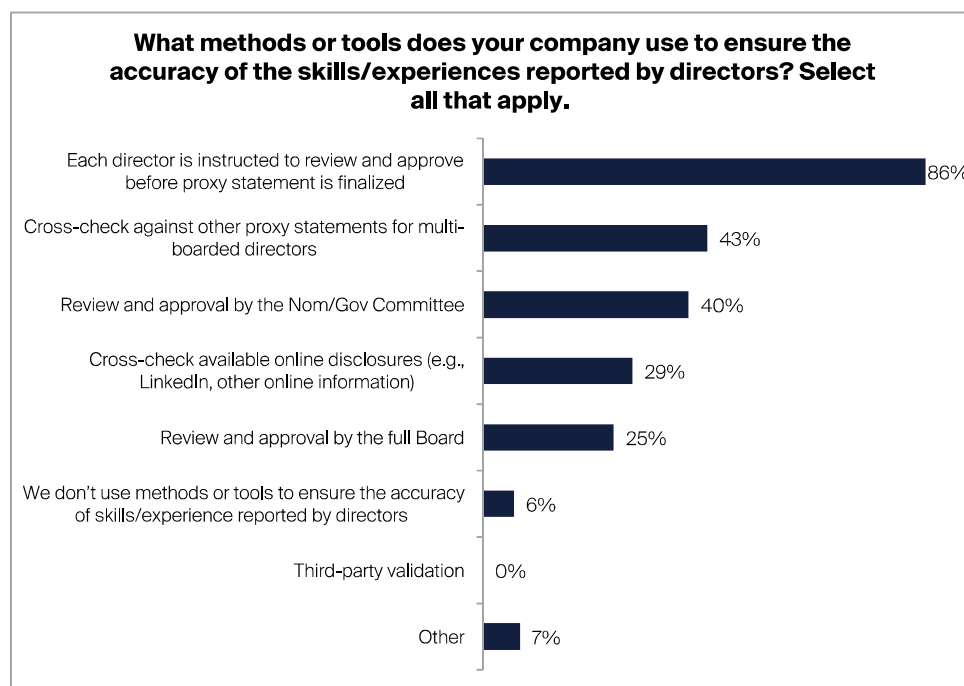
Companies rely largely on internal review processes to ensure the accuracy of the qualifications reported by directors

Companies most commonly instruct each director to review and approve their reported skills/experiences intended for inclusion in the proxy statement before the proxy statement is finalized. Additionally, 43% of companies cross-check the reported skills against other proxy statements for directors who serve on multiple boards. A further 40% involve the nominating and governance (nom/gov) committee in reviewing and approving the reported skills. Just under a third of

companies cross-check against publicly available online information, while a quarter seek full board review and approval. Notably, 6% of companies do not use any methods to ensure the accuracy of the skills/experiences reported by directors (see Chart 3 below).

Both large-caps and small/mid-caps primarily rely on having directors review and approve their reported qualifications before the proxy statement is finalized (84% of large-caps and 87% of small/mid-caps). Large-caps are more likely to cross-check information using other sources, such as proxy statements for multi-boarded directors (57% of large-caps vs. 28% of small/mid-caps) and available online disclosures (39% of large-caps vs. 18% of small/mid-caps). Small/mid-caps are more likely to involve their

Chart 3



Source: Society for Corporate Governance. N=83.

nom/gov committee in the review process (46% of small/mid-caps compared to 34% of large-caps).

The most important criteria in assessing the *relevance* of director qualifications for disclosure purposes are the alignment of director skills/experiences with the company's business, operations, industry, and strategy

The vast majority of companies prioritize the alignment of director skills and experiences with the company's business, followed by a significant number of companies that consider the company's operations. Industry-specific considerations play a significant role as well. Corporate strategy is another consideration for companies, ensuring that directors' skills align with the company's long-term goals.

While less common, more than a third of companies consider both peer practices and disclosures, as well as regulatory requirements, when assessing the relevance of director qualifications for disclosure purposes. Institutional investor input or feedback is taken into account by 30% of companies, while proxy advisor policies and institutional investor policies are taken into account by relatively fewer companies. Only 3% of organizations do not have *any* criteria to assess the relevance of director skills (see *Chart 4 on page 309*).

Large-caps generally employ a broader range of criteria compared to small/mid-caps when evaluating the relevance of director skills and experiences for disclosure purposes. For instance, 98% of large-caps consider the company's business, compared to 82% of small/mid-caps, and 79% of large-caps consider the company's operations, compared to 74% of small/mid-caps. Large-caps are also

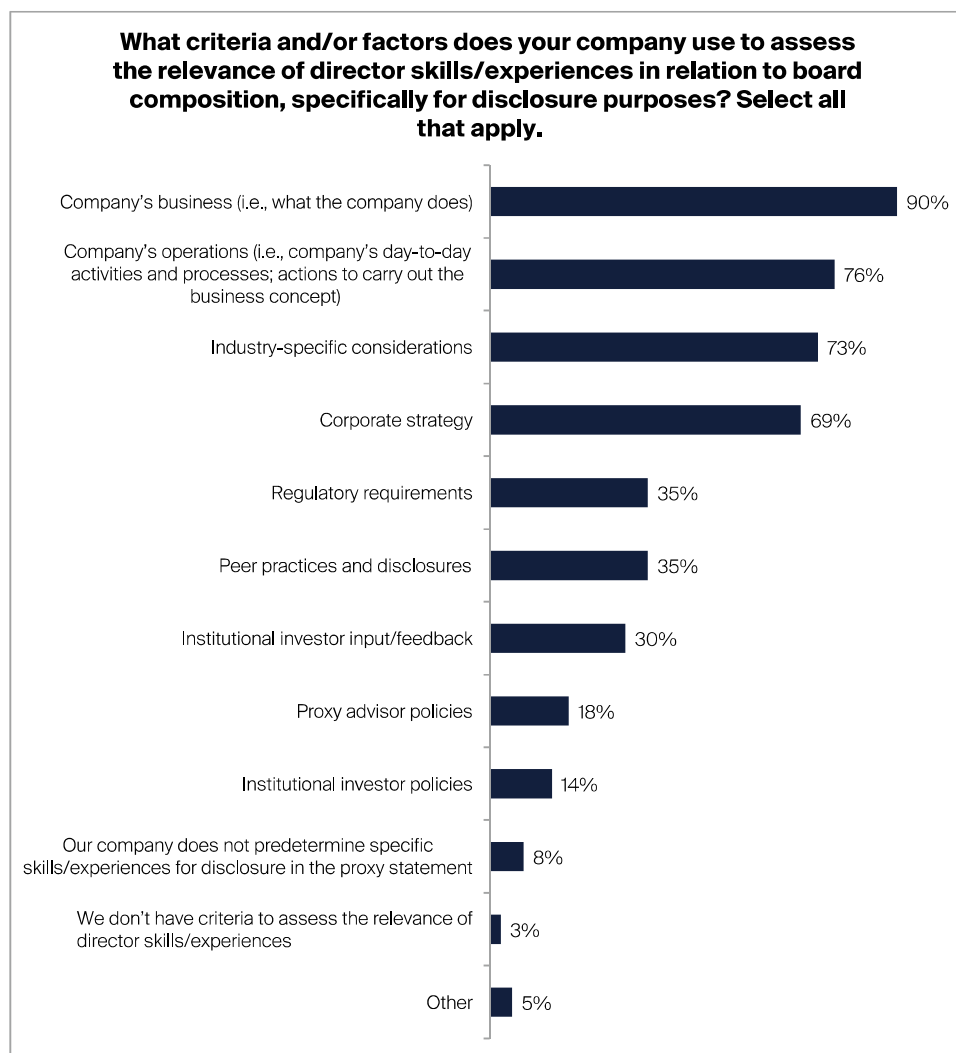
more likely to factor in corporate strategy (81% vs. 55%) and industry-specific considerations (74% vs. 71%). Additionally, large-caps are more inclined to evaluate peer practices (48% of large-caps vs. 21% of small/mid-caps), institutional investor input (45% of large-caps vs. 13% of small/mid-caps), and regulatory requirements (38% of large-caps vs. 32% of small/mid-caps). In contrast, small/mid-caps are more likely to consider proxy advisor policies (26% of small/mid-caps vs. 10% of large-caps). Moreover, small/mid-caps are more likely to forgo predetermining specific director skills and experiences in the proxy statement altogether (13% of small/mid-caps vs. 2% of large-caps).

Companies draw from different aspects of a director's professional background to assess the *depth* of their skills and experiences

For 63% of companies, the roles directors have held, both in the past and present, are a key factor in evaluating the depth of their skills/experiences. Formal qualifications/certifications are considered by 48% of companies. Another important factor is the duration of experience in specific areas. Additionally, a plurality of companies consider other directorships to assess the depth of their directors' qualifications. Notably, over a third of companies do not have any specific criteria to assess the depth of their directors' skills/experiences (see *Chart 5 on page 310*).

Compared to small/mid-caps, large-caps tend to employ a broader range of criteria to assess the depth of director skills and experiences: 67% of large-caps consider the positions held in current/previous roles vs. 58% of small/mid-caps. Large-caps are also more likely to evaluate other directorships (53% vs. 37% of small/mid-caps) and formal qualifications/

Chart 4



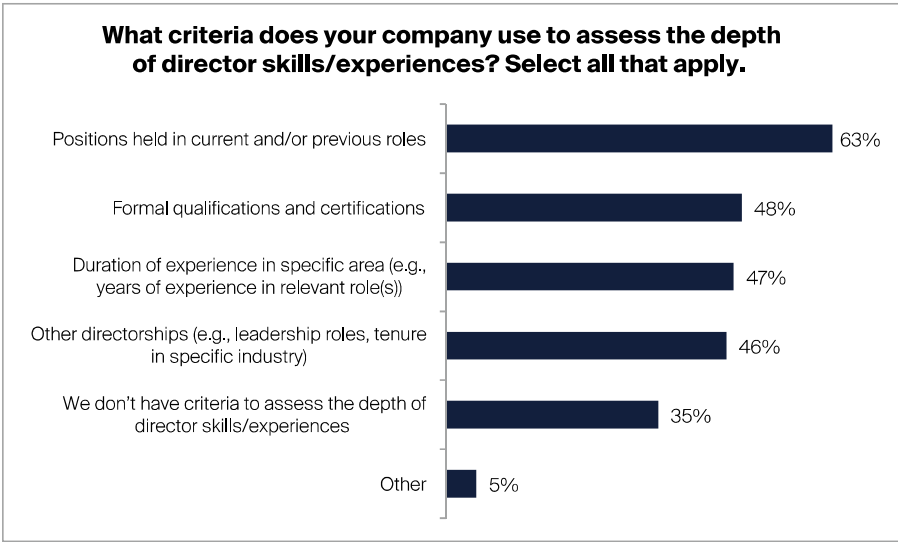
Source: Society for Corporate Governance. N=80.

certifications (51% vs. 45% of small/mid-caps). Small/mid-caps are less likely to use criteria to assess the depth of their directors' skills, with 42% of small/mid-caps reporting no criteria (vs. 28% of large-caps). Despite these differences, nearly half of each group consider the duration of experience in specific areas.

Companies value directors' overall career trajectory, rather than focusing solely on the *recency* of their experience

In fact, 51% of companies do not consider the recency of a director's skills or experience when assessing their qualifications. Meanwhile, 49% of

Chart 5



Source: Society for Corporate Governance. N=81.

companies acknowledge both recent and past qualifications in their assessments. Notably, no companies prioritize recent experience over prior experience.

Disclosure of skills and experiences

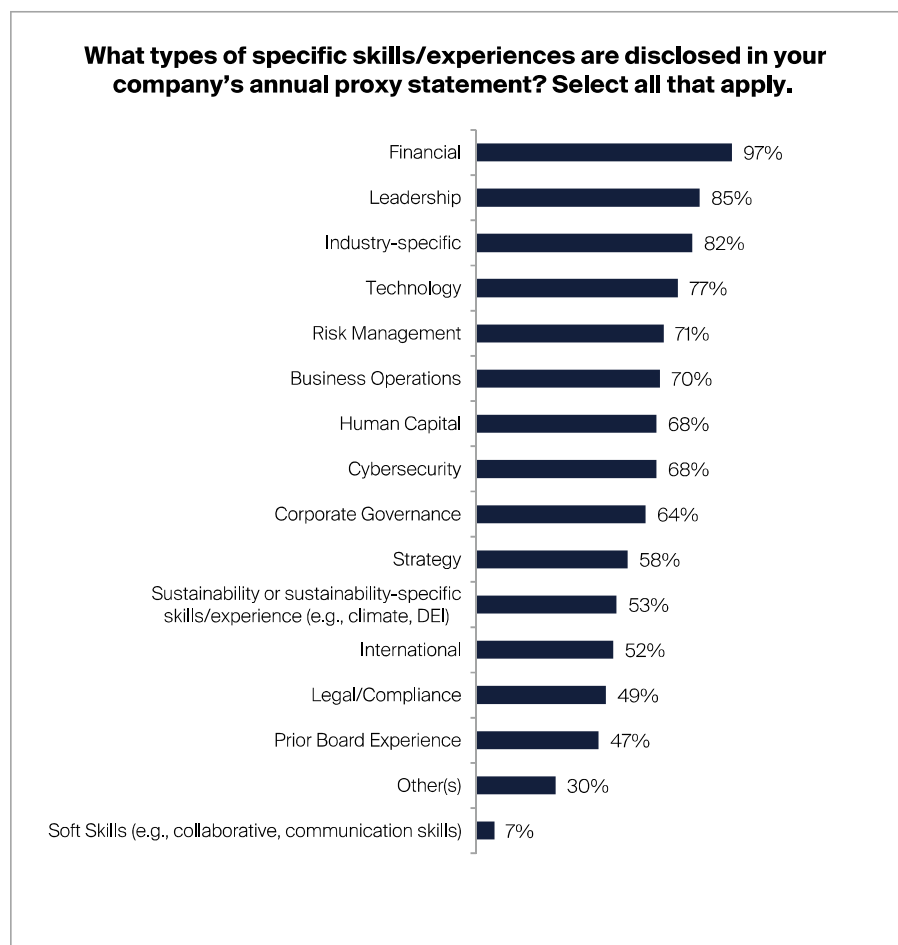
Companies most frequently disclose financial, leadership, and industry-specific qualifications in their proxy statements, highlighting the emphasis on directors' core competencies

Financial experience tops the list of disclosed qualifications, with nearly all companies disclosing in their proxy statements that their boards include directors with financial skills/experiences. Next is leadership experience, while industry-specific knowledge follows closely behind. Other frequently disclosed qualifications include technology, risk management, business operations, cybersecurity, human capital, and corporate governance. More than half of companies disclose qualifications related to strategy, sustainability, and international experience.

Almost half of companies disclose legal/compliance backgrounds and prior board experience, while only 7% disclose soft skills such as collaboration and communication (see *Chart 6 on page 311*).

Both large-caps and small/mid-caps frequently disclose financial (97%), leadership (87% of large-caps and 82% of small/mid-caps), business operations (74% of large-caps and 65% of small/mid-caps), risk management (72% of large-caps and 71% of small/mid-caps), technology (77% of large-caps and 76% of small/mid-caps), and corporate governance (64% of large-caps and 65% of small/mid-caps) skills/experiences in their proxy statement. Large-caps are more likely to emphasize their directors' cybersecurity background (79% of large-caps vs. 56% of small/mid-caps), international experience (69% of large-caps vs. 32% of small/mid-caps), and sustainability qualifications (64% of large-caps vs. 41% of small/mid-caps), whereas small/mid-caps are more likely to highlight

Chart 6



Source: Society for Corporate Governance. N=73.

industry-specific (88% of small/mid-caps vs. 77% of large-caps) and strategic experience (68% of small/mid-caps vs. 49% of large-caps).

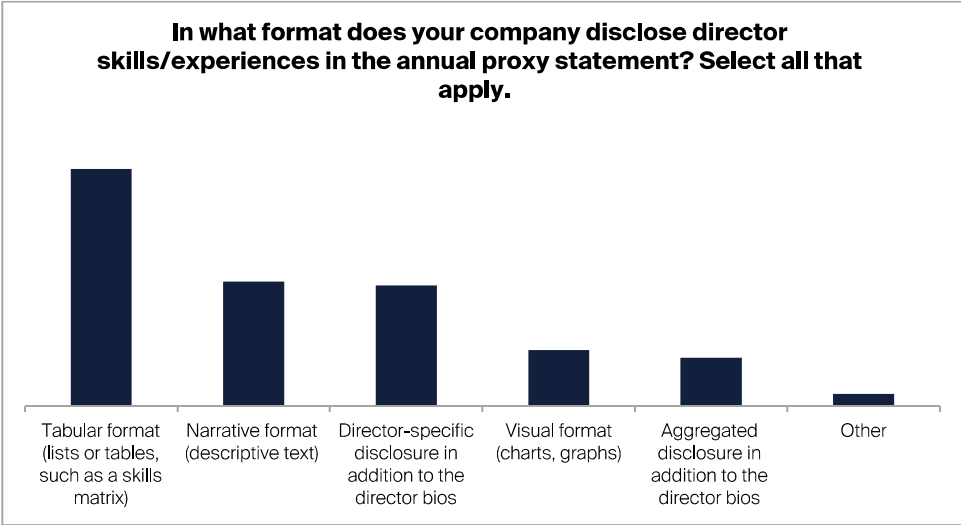
Most companies use tabular formats to present director qualifications in their proxy statements

A significant number of companies use tabular formats (i.e. a skills matrix) to disclose director skills/experiences in their

proxy statements, followed in prevalence by narrative formats (i.e. descriptive text). In addition, 39% of companies include director-specific disclosures, in addition to the director biographies, in their proxy statements (see Chart 7 on page 312).

Large-caps tend to employ a broader range of formats for disclosing director skills/experiences in their proxy statements compared to small/mid-caps. While both groups favor tabular

Chart 7



Source: Society for Corporate Governance. N=77.

formats, 90% of large-caps use such formats versus 61% of small/mid-caps. Additionally, 46% of large-caps provide director-specific disclosures in addition to director biographies, while only 31% of small/mid-caps do so. Large-caps are also more inclined to use narrative formats (41% of large-caps vs. 39% of small/mid-caps), visual formats (20% of large-caps vs. 17% of small/mid-caps), and aggregated disclosures in addition to director biographies (20% of large-caps vs. 11% of small/mid-caps).

Evaluation of approach

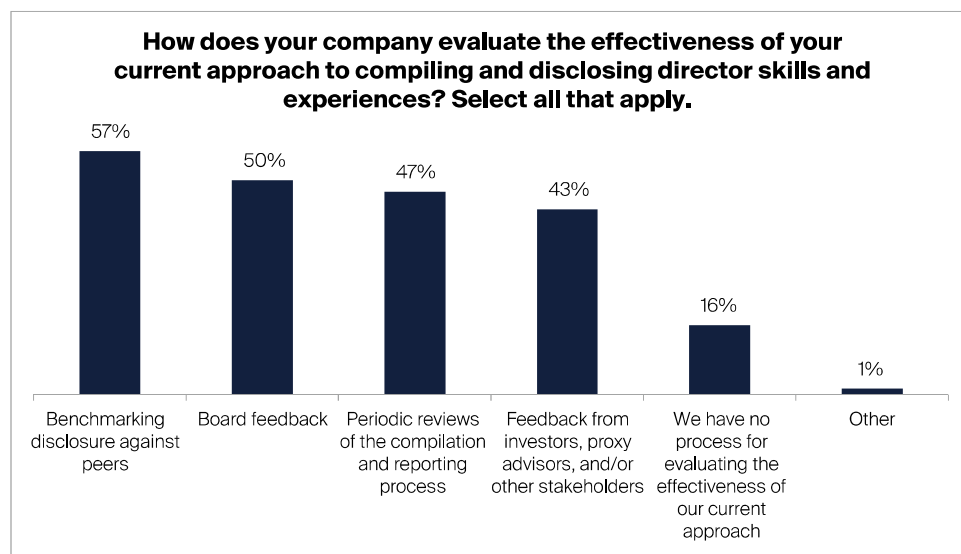
Benchmarking against peer disclosures is the primary method companies employ to gauge the effectiveness of their director skills/experience disclosures

This approach, in which the effectiveness of director qualification disclosures is assessed by comparing them to peer disclosures, is employed by a majority of companies. Board feedback is the second most common method, followed

by periodic reviews of the compilation and reporting process. Additionally, 43% gather feedback from investors, proxy advisors, and other stakeholders to assess the effectiveness of their disclosures. In contrast, relatively few companies report having no process in place to evaluate the effectiveness of their disclosures (see *Chart 8 on page 313*).

Large-caps have generally implemented a more comprehensive evaluation process for assessing the effectiveness of their director skills/experience disclosures. A majority of large-caps (71%) benchmark their disclosures against peers, compared to 42% of small/mid-caps. Additionally, large-caps are more likely to gather feedback from investors, proxy advisors, and other stakeholders (58% of large-caps vs. 28% of small/mid-caps), to seek board feedback (55% of large-caps compared to 44% of small/mid-caps), and to conduct periodic reviews (53% of large-caps compared to 42% of small/mid-caps). In contrast, small/mid-caps are more likely

Chart 8



Source: Society for Corporate Governance. N=74.

to have no formal evaluation process in place, though the difference is relatively minor (16% of large-caps vs. 17% of small/mid-caps).

Disclosure challenges and key considerations

The process of collecting, assessing, and disclosing information on director skills/experiences is complex. While most companies have developed structured methods to gather and report this data, challenges remain. For example, companies primarily use questionnaires to collect self-assessments from directors regarding their qualifications. While this approach is useful for accumulating the information needed for the annual proxy statement, it is subjective. Individual directors may apply different standards and/or definitions when evaluating their own skills/experiences, which can lead to inconsistencies in how their qualifications

and expertise are recognized and ranked. Likewise, the criteria employed by companies for determining threshold levels of experience, knowledge, and expertise for disclosure vary across companies such that what may be considered expertise in a particular area at one company may be deemed merely competent or literate at another company. This can make it challenging for investors and other stakeholders to effectively assess directors' competencies and compare them—both within and across organizations. Moreover, it may raise doubts about the substance behind the qualifications disclosed.

Another challenge lies in determining *what* director qualifications to disclose and *how* to present them effectively in the proxy statement. While companies predominantly disclose core qualifications such as financial, leadership, and industry-specific qualifications, only a slim majority highlight other fundamental attributes such

as strategic and international experience. While this may stem from the assumption that most directors will possess such qualifications, failing to disclose them may significantly under-represent the board's oversight qualifications and expose boards to shareholder activism.

Additionally, the way skills and experiences are presented in proxy statements can vary greatly from one company to the next. While most companies use skills matrices to summarize qualifications, these often reduce complex skillsets and decades of experiences to oversimplified categories. This not only risks turning the process into a mere compliance exercise, but can also fail to reflect the depth, breadth, and critical nuances of directors' qualifications. On the other hand, formats such as narrative descriptions, while more detailed, can make it more difficult to quickly assess and compare qualifications.

To address the challenges surrounding the data collection, assessment, and disclosure of director skills and experiences, companies can consider taking several actions, including:

- **Provide clear guidelines for self-assessment.** Providing directors with clear guidance on how to self-assess their skills/experiences will lead to more consistent, accurate, and comparable disclosures, and may reduce understating or overstating certain qualifications.
- **Enhance verification processes.** To avoid accusations of greenwashing the board, companies should validate the qualifications self-disclosed by directors to ensure they are supported by relevant data. Implementing more rigorous verification processes can make information disclosed more reliable.
- **Avoid underreporting essential director qualifications.** Key director attributes, such as strategic experience, should not be under-emphasized in the proxy statement in favor of highlighting functional expertise in areas such as cybersecurity or human capital, despite regulatory, or investor pressure to demonstrate fluency (or even expertise) in such areas. While having directors with specialized experience can be valuable, it is essential for boards to demonstrate a broad range of general qualifications needed to effectively oversee key risks and opportunities.
- **Supplement skills matrices with descriptive text.** To offer a more comprehensive view of individual director qualifications, companies should consider supplementing skills matrices with descriptive text and director-specific disclosures. This additional information can provide greater context and depth than a simple tabular format.
- **Evaluate approach to director skills and experiences compilation and disclosure.** Companies should periodically assess the effectiveness of their approach to compiling and disclosing director skills and experiences. By doing so, they can ensure that their disclosures remain accurate, relevant, and aligned with both current market expectations and the evolving needs of the business.

While there is no universal framework for collecting, assessing, and disclosing information on director skills and experiences, aligning data gathering and disclosure practices with best-in-class standards will enhance transparency and credibility, and ultimately increase the likelihood of securing shareholder confidence and support for the (re-)election of directors.

Chapter notes

- 1 <https://www.ecfr.gov/current/title-17/chapter-II/part-229/subpart-229.400/section-229.401>.
- 2 <https://www.ecfr.gov/current/title-17/chapter-II/part-229/subpart-229.400/section-229.407>.
- 3 <https://www.ecfr.gov/current/title-17/chapter-II/part-229/subpart-229.400/section-229.407>.
- 4 <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>.
- 5 <https://www.ssga.com/library-content/assets/pdf/global/asset-stewardship/proxy-voting-and-engagement-policy.pdf>.
- 6 https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_proxy_voting_policy_2025.pdf.