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Weekly Newsletter

Today we're discussing the challenges of increasing board diversity, and the latest in EOO-1 reporting.

THE CHALLENGES OF INCREASING BOARD DIVERSITY

Board Refreshment, Retirement Age, and Term Limits

Large public companies have prioritized increasing the diversity of backgrounds, experience, and skills of their boards of directors in recent years, but a major challenge is low refreshment rates.

In the S&P 500, boards currently average 10.9 members, a tenure of 8.0 years, and an age of 63.8. Over the past 12 months, boards have added on average 1.0 new members, meaning only 9.3% of board members are new. Just over 25% of board members have joined S&P 500 boards over the last 3 years.

	Avg size	Avg tenure	Avg age	New last 12 months	New last 3 years
Communication Services	10.3	8.9	62.3	9.2%	24.5%
Consumer Discretionary	10.6	8.5	62.3	8.7%	23.5%
Consumer Staples	11.5	7.4	62.8	11.6%	27.6%
Energy	11.0	6.8	65.1	5.8%	26.4%
Financials	11.8	8.5	64.7	6.2%	22.5%
Health Care	10.5	7.7	64.1	10.7%	27.0%
Industrials	10.9	7.4	63.6	12.0%	29.1%
Information Technology	10.2	8.9	63.7	6.7%	20.8%
Materials	10.9	7.1	64.3	10.2%	23.9%
Real Estate	10.3	9.2	64.2	10.7%	22.1%
Utilities	11.2	6.5	64.3	10.1%	30.1%
S&P 500	10.9	8.0	63.8	9.3%	25.3%

Companies have two common options: mandatory retirement ages and/or term limits.

Term limits have fallen out of favor and many companies have removed them—only 9.2% of S&P 500 companies currently have explicit term limits in their corporate governance guidelines. However, 62.8% of S&P 500 companies have mandatory retirement ages ranging from 70-80 years old.

Most of them also include language in their policy allowing for waivers though—for instance this year Apple had 3 directors who were 75 years old, and 2 retired but a waiver was granted for one to remain:

The Board has adopted a policy that directors generally may not stand for reelection after attaining age 75. After years of dedicated and valuable service, James Bell and Al Gore will be retiring from the Board effective as of the 2024 Annual Meeting, having reached the age of 75. In consideration of the significant recent transitions in board composition and the value of retaining directors who have developed deep insights into the Company during their tenure, the Board determined that it would be in the best

interests of Apple and its shareholders to ask Ron Sugar to stand for re-election at the 2024 Annual Meeting, although he has attained the age of 75.

Another example is AbbVie:

Glenn Tilton has served as AbbVie's lead independent director since 2013. Mr. Tilton's extensive leadership skills as a non-executive chair, as well as former CEO and chair at large, publicly traded companies, and the depth of his current and past experience as a director at other publicly traded companies ensure that he is able to exercise effective independent leadership over AbbVie's board, including in relationship to risk oversight. In October 2023, the board approved an extension of Mr. Tilton's service as a director, until December 2025, as permitted under AbbVie's Governance Guidelines, which state that "a nonmanagement director shall retire as a director on the day of the annual shareholders' meeting following his or her 75th birthday; provided, however, that the full board may make exceptions from time to time due to special circumstances." Mr. Tilton's continued service on the board will provide valuable leadership and continuity during AbbVie's CEO transition.

Many of our clients—for example, investors engaging with companies around governance issues and executive search firms filling C-Suite and board roles—rely on us to get ahead of the curve and anticipate potential openings. 139 companies in the S&P 500 have at least one director at or nearing their mandatory retirement age...[contact us if you want more details.](#)

% OF COMPANIES PUBLICLY DISCLOSING EEO-1 DATA