



# ANNUAL STATE OF BOARD EVALUATIONS IN THE U.S. 2024



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# INTRODUCTION

Each year, Korn Ferry publishes research on the current state and emerging trends in U.S. public company board evaluation practices.

**As in previous years, we partnered with Gibson, Dunn & Crutcher LLP to review the board evaluation practices for S&P 500 companies as disclosed in their proxy statements. This is one of the largest analyses on the state of board evaluations in the U.S.**

Korn Ferry and Gibson Dunn conducted research with a similar scope for the last three years, so, when appropriate, comparisons will be made in this report.

Nearly all the S&P 500—489 companies or 98%—now disclose at least some information about their board evaluation process in their proxy statement. This is a 7% increase from when we started reviewing these practices in 2022.

## 98%

Nearly all the S&P 500—489 companies or 98%—now disclose at least some information about their board evaluation process in their proxy statement.

## 7%

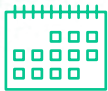
This is a 7% increase from when we started reviewing these practices in 2022.

*1. In preparing this paper, Korn Ferry partnered with attorneys and summer associates at Gibson, Dunn & Crutcher LLP from June–September 2024 to develop and conduct the S&P 500 analysis.*

*2. All percentages in this report represent percentages of the 489 disclosing companies, unless otherwise noted.*

# HIGHLIGHTS FROM 2024 PROXY STATEMENTS

In 2024, we saw slight improvements in several categories including the following:



## MULTIYEAR PROGRAM WITH VARYING ELEMENTS

**36% vs 30%**

There was an increase in the number of companies that disclosed that they vary the evaluation process from year to year. 36% of disclosing companies in 2024 stated that they vary their board evaluation process vs. 30% in 2023.



## INDIVIDUAL DIRECTORS

**50% vs 48%**

There was a slight uptick in the number of companies disclosing that they conduct individual director evaluations as part of their board evaluation compared to 2023. 50% of disclosing companies in 2024 noted evaluating individual directors vs. 48% in 2023.



## THIRD PARTIES

**35% vs 32%**

There was a slight increase in boards engaging with a third party to assist in board evaluations. This increase may be because boards vary the way they conduct the evaluation process from year to year, or it may illustrate a growing trend to involve third parties at least periodically.

It is still unclear what role third parties are typically playing. Our analysis found that companies are using third parties in a variety of ways from minimally involved (e.g., reviewing the board's own evaluation process) to highly engaged (e.g., conducting interviews and facilitating director feedback sessions).



## INTERVIEWS

**51% vs 49%**

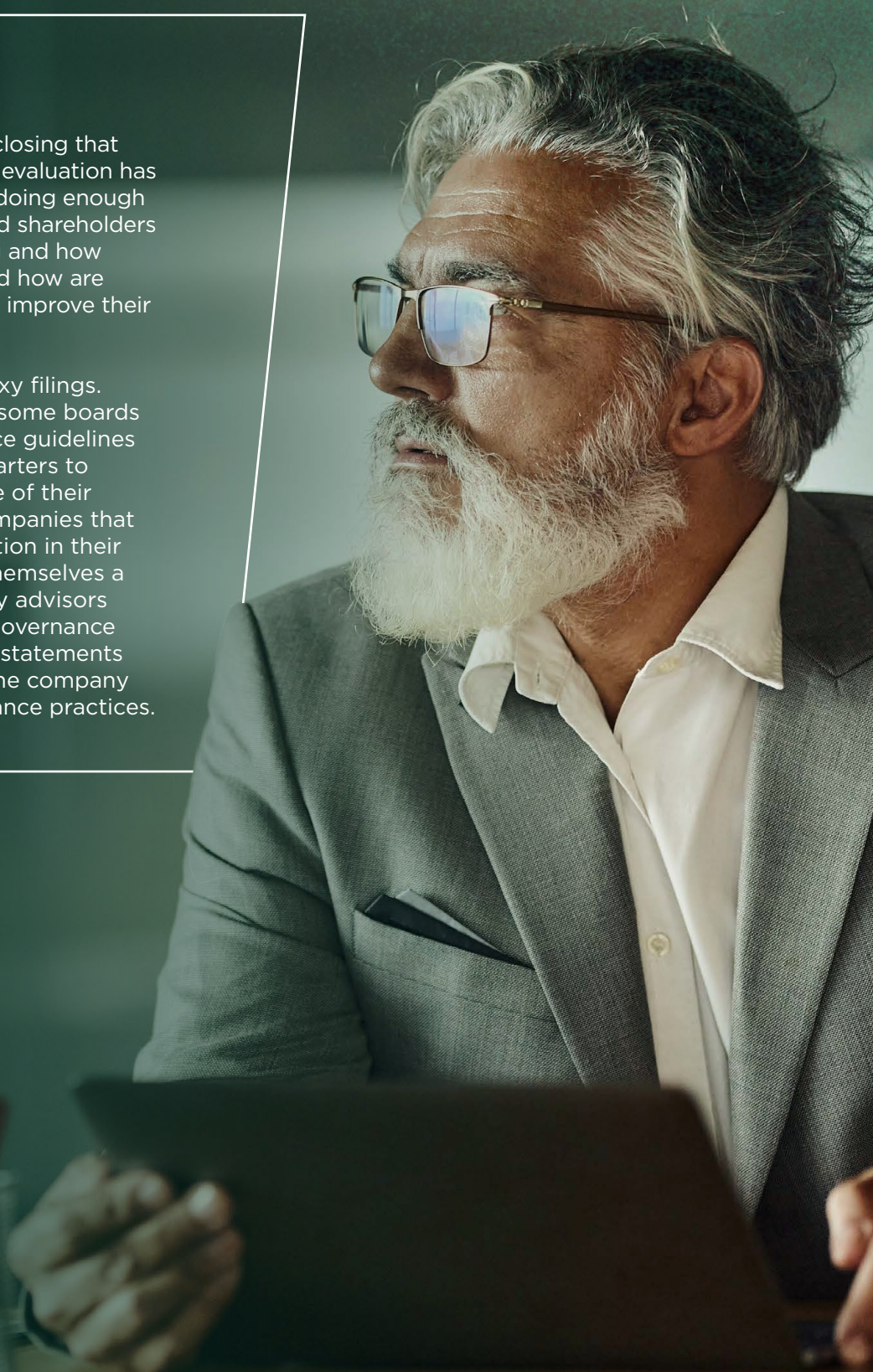
There was a slight increase in the number of companies disclosing that they conduct interviews (mostly with directors) as part of the evaluation process. 51% of disclosing companies used interviews in the evaluation process in 2024 vs. 49% in 2023.

In 2024, 35% of the disclosing boards used both a questionnaire/survey and interviews in their board evaluations.

### **Korn Ferry comment**

The number of companies disclosing that they conduct an annual board evaluation has increased, but are companies doing enough to let institutional investors and shareholders know what they are evaluating and how often? What are the results and how are companies making changes to improve their boards and committees?

This report only looked at proxy filings. However, we have found that some boards use their corporate governance guidelines and/or specific committee charters to outline the policies and nature of their board evaluation process. Companies that are not including this information in their proxy statements are doing themselves a disservice. Investors and proxy advisors may not review all company governance documents and rely on proxy statements alone to determine whether the company has adopted rigorous governance practices.





# S&P 500

Disclosure of Board  
Evaluation Practices

# WHAT IS BEING EVALUATED?

Just over 50% of disclosing companies in the S&P 500 evaluate individual directors compared with 48% in 2023:

## 47%

Expressly evaluate **the board, its committees, and individual directors**; this figure compares with 46% last year.

## 3%

Evaluate **the board and individual directors**, but not committees.

## <1%

Evaluate **committees and directors only**, but not the full board.

## ADDITIONALLY,

## 44%

Evaluate **the board and its committees only**; this figure rose from 41% last year.

## 6%

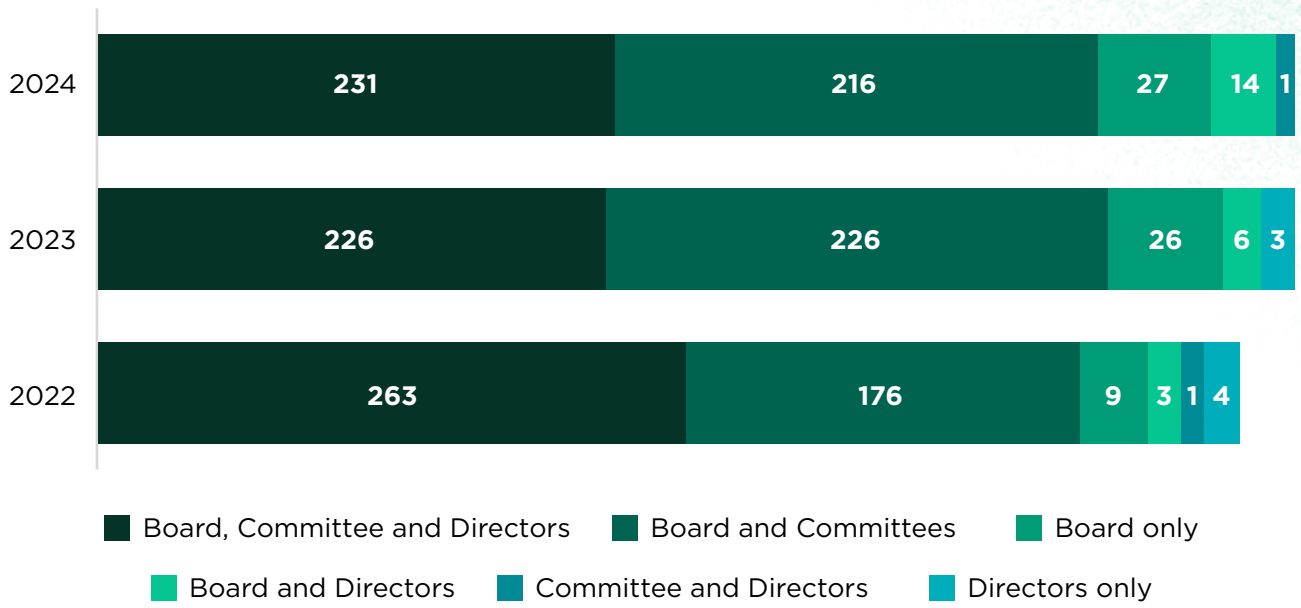
Evaluate **the board only**.

### Korn Ferry comment

Disclosures on what boards evaluate have remained consistent over the last two years. Since 36% of boards in 2024 disclosed that they vary the way they conduct board evaluations from year to year, we will continue to monitor any changes such as the frequency of individual director evaluations. With the introduction of universal proxy rules for director elections over two years ago, we continue to believe in the importance of individual director evaluations. They are an important part of the renomination process, but how effective are they if PwC's 2024 Annual Corporate Director Survey found that 49% of directors feel that someone on their board should be replaced?<sup>3</sup> Would these assessments be more objective, and therefore impactful, if they were conducted by a third party?

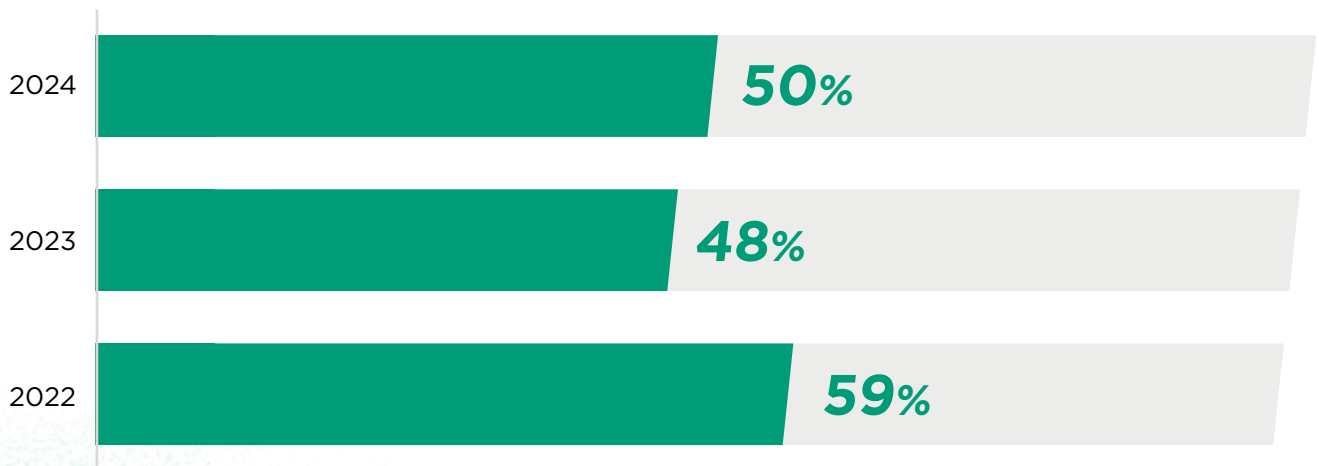
<sup>3</sup> 2024. "PwC's 2024 Annual Corporate Directors Survey." Governance Insight Center, PwC. <https://www.pwc.com/us/en/services/governance-insights-center/library/assets/pwc-uncertainty-and-transformation-2024.pdf>

## THREE YEAR TREND ON WHAT IS EVALUATED



## THREE YEAR TREND IN INDIVIDUAL DIRECTOR EVALUATIONS

Percentage of companies that are conducting individual director evaluations as part of the annual board evaluation.



# HOW ARE THE EVALUATIONS CONDUCTED?

89%

(436) of the S&P 500 described the nature of their board evaluation assessments, up from 87% in 2023.

99%

Of those companies expressly use self-evaluations of the board, committees, or directors, up from 96% in 2023.

52%

Disclose using a **written questionnaire or survey** in their board evaluation.

51%

Disclose using **interviews** in the evaluation process.

7%

Disclose using **group discussions** to collect feedback.

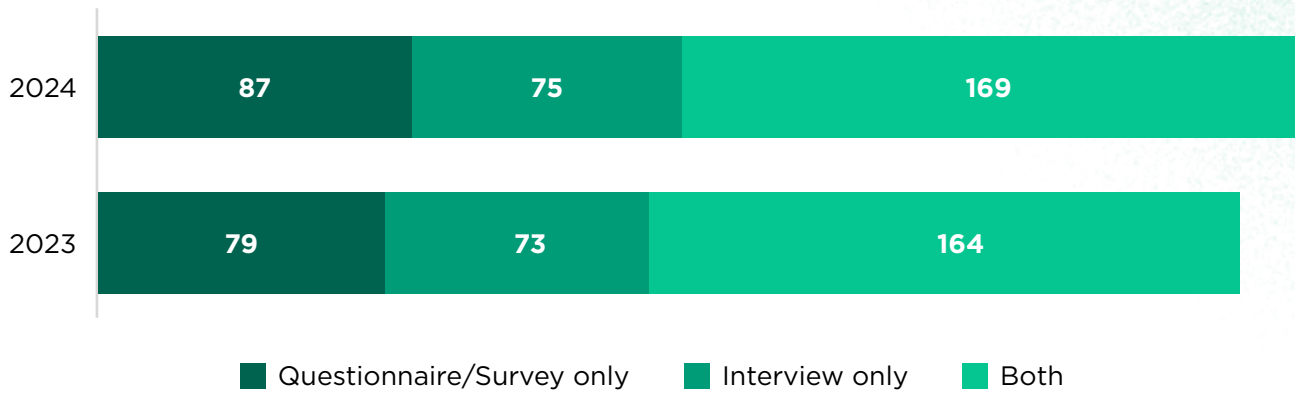
5%

Disclose that **senior management (other than the CEO) provide feedback** on the board.

<1%

Disclose using **third-party observation** of board or committee meetings to collect feedback.

## QUESTIONNAIRE OR INTERVIEW



### Korn Ferry comment

Only 5% of companies disclose that management team members (other than the CEO) are asked to provide feedback on board performance, yet many of these individuals work closely with the board. It is unclear if companies are involving management teams but not disclosing this as part of their process, or if management team members are not being solicited for their feedback on the board. We believe that it is best practice to include certain management team members in the board evaluation process as management teams are uniquely impacted by whether the board provides an appropriate balance of constructive challenge, guidance, and support.



# WHO LEADS THE EVALUATION PROCESS?



24% of disclosing companies in the S&P 500 reported that their board evaluations are led by an independent board leader (such as the lead independent director, board chair, or a committee chair), which is a drop from last year, where 38% were led by an independent board leader.

**2%**

Consistent with last year, 2% said their evaluations were led by the general counsel, chief legal officer, or corporate secretary.

This is still lower than 2022 when 7% reported being led by general counsel, chief legal officer, or corporate secretary.

## Korn Ferry comment

The majority of companies are not disclosing a specific individual that leads the evaluation process. In many cases, this responsibility lies with the nominating and corporate governance committee chair. Companies may wish to consider including information about who oversees the evaluation process in their proxy statements. We believe evaluations should be led by an experienced independent board leader with support from the legal team.

# THIRD-PARTY INVOLVEMENT



35% of disclosing S&P 500 companies (170 companies) report using a third party to conduct their board evaluation. This is up 3% over last year.

**All 170 companies disclosed how often they used a third party:**

**74%**

Use third parties periodically.

**26%**

Use third parties annually.

Although more companies are disclosing the use of third parties, it is still unclear what role third parties are playing. As part of the analysis, we reviewed the 2024 disclosures to determine how companies are utilizing third parties and found that third parties may be engaged in one or more of the following:

- Reviewing the board evaluation process prior to launch
- Developing questionnaire/survey
- Providing governance best practices
- Facilitating questionnaires and surveys
- Conducting one-on-one interviews
- Analyzing data from questionnaires/surveys and/or interviews
- Benchmarking company against peers and/or national standards
- Providing reports on each committee
- Preparing individual director reports
- Facilitating a feedback session with the board
- Communicating results of individual director assessments to individual directors

# 34%

Of companies that disclosed using a third party included the type of third party used:

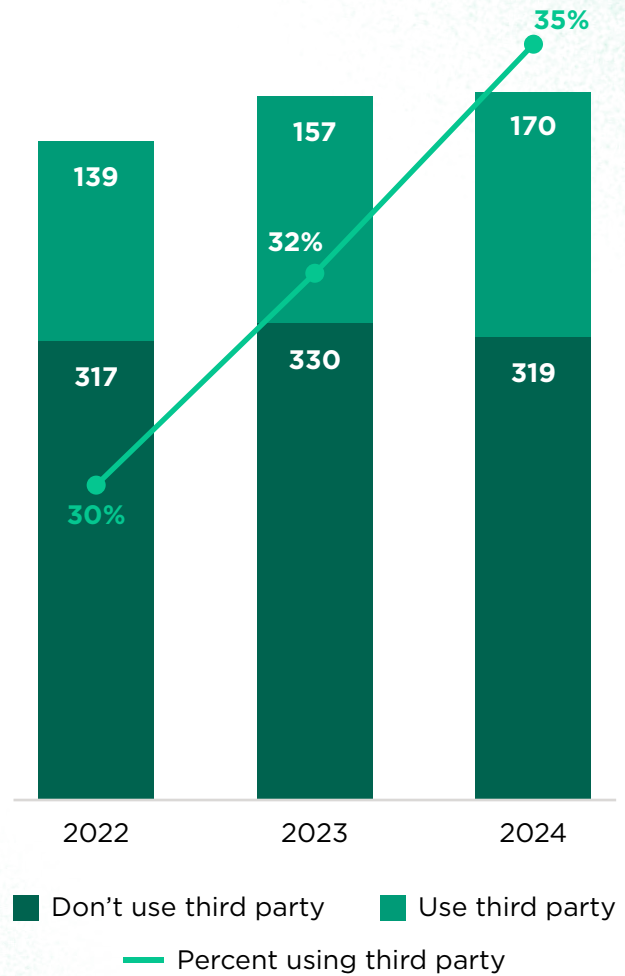
**25** Use a consulting firm

**16** Use a law firm

**12** Use another type of third party

**4** Companies named the third party (down from 5 companies in 2023)

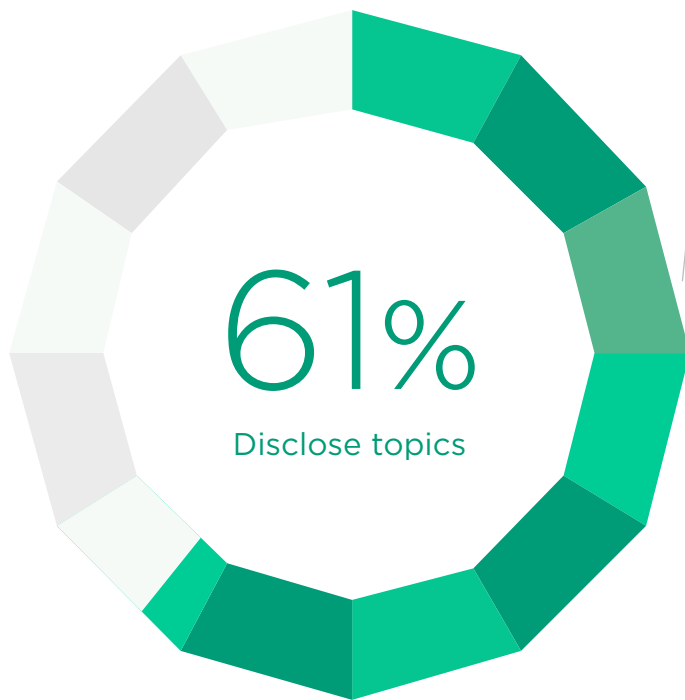
## THREE YEAR TREND: DISCLOSURE OF THIRD PARTY IN BOARD EVALUATIONS



### Korn Ferry comment

Over the last three years that we have been tracking the data, companies seem more comfortable disclosing that they are using a third party. In some cases, they include how often they engage a third party and the year in which they have used a third party in their board evaluation process. Increased clarity around the role of the third party is important. There is a world of difference between asking a provider to host a company survey and inviting consultants to interview the entire board. Shareholders want to know what the board has asked the third party to do so they can decide if the evaluation seems rigorous and objective.

# WHAT TOPICS ARE COVERED IN THE EVALUATION



61% of disclosing S&P 500 companies discussed the topics included in their board evaluation, up from 59% in 2023.

In 2024, as in the previous two years, the top three most common topics remained:

**78%**

Board and/or committee skills and composition addressed by 78%.

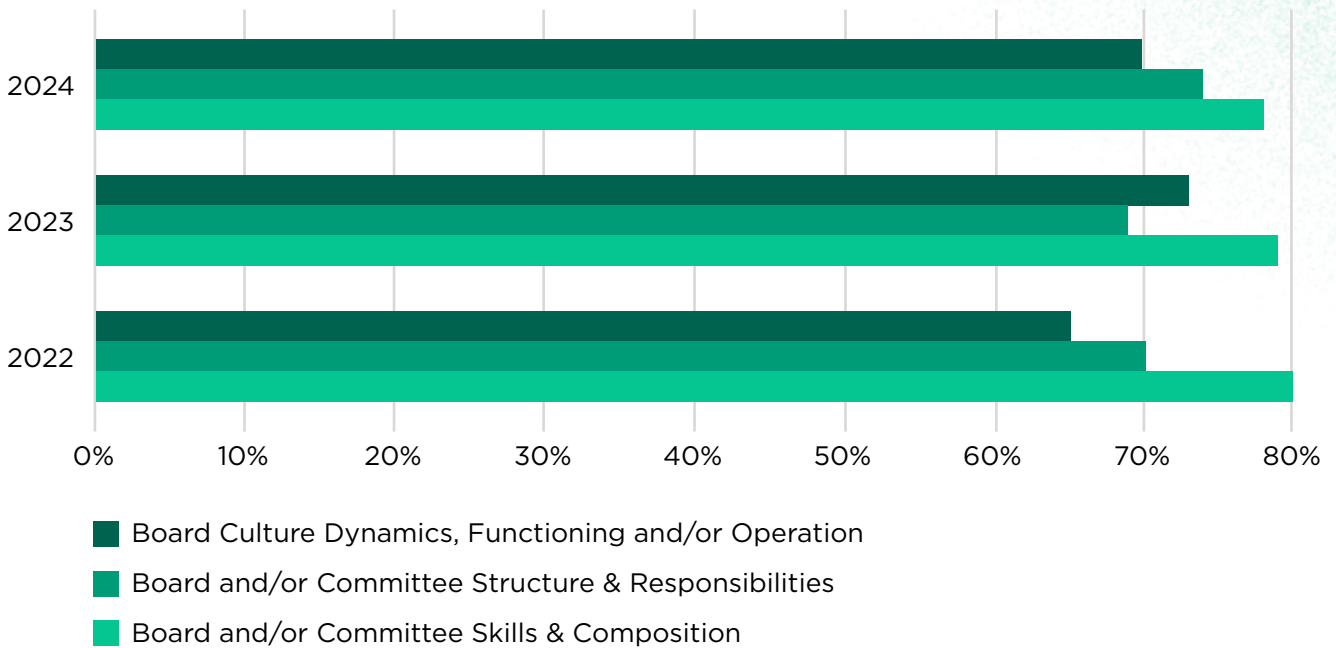
**74%**

Board and/or committee structure and responsibilities addressed by 74%.

**70%**

Board culture dynamics, functioning, and/or operation addressed by 70%.

## THREE YEAR TREND: MOST COMMON TOPICS IN BOARD EVALUATIONS<sup>4</sup>



### Additionally in 2024:

-  Board/management dynamics addressed by **42%**
-  Quality of information/materials to the board addressed by **39%**
-  Board and/or management succession addressed by **38%**
-  Strategic/financial/risk oversight addressed by **37%**
-  Agenda quality and appropriateness addressed by **35%**
-  Diversity, equity, and inclusion addressed by **18%**
-  Director education addressed by **12%**

Although board culture remains a common topic in board evaluations, only 6 S&P 500 companies disclosed that they have adopted a statement on board culture and/or director expectations or behavior. 11 companies disclosed that they held a retreat, offsite or workshop focused on board culture.

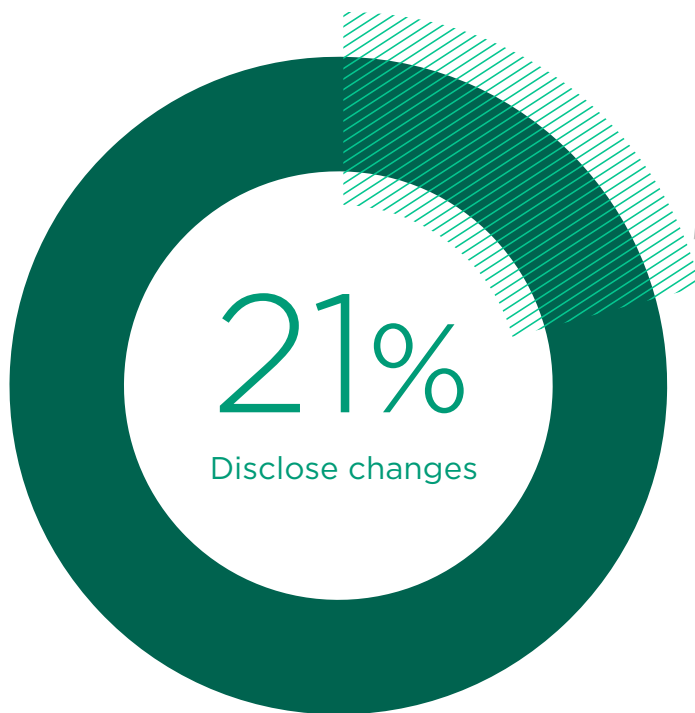
### Korn Ferry comment

It is not surprising that board skills and composition is the most disclosed topic included in board evaluations for three years running, but investors and stakeholders also want to know how boards are performing. Board evaluations are an opportunity for companies to ensure the board is working effectively together and with management. A board culture that prioritizes contributions by all members demonstrates to investors and stakeholders “optimal board” behavior.<sup>5</sup>

<sup>4</sup>. Three Year Trend: Most Common Topics in Board Evaluations—these percentages are based on the number of companies that disclosed the topics they include in board evaluations.

<sup>5</sup>. Anthony Goodman et al., “The Optimal Board.” Korn Ferry. <https://www.kornferry.com/content/dam/kornferry-v2/pdf/institute/kf-power-of-all-optimal-board.pdf>

# WHAT CHANGES WERE MADE FOLLOWING THE EVALUATION?



Only 21% of the disclosing companies in the S&P 500 reported they had made changes following the board evaluation. This is down slightly from 2023, where 24% disclosed making changes after completing their board evaluation.

#### Changes disclosed included updates to:

- Board and committee agendas and materials
- Board and/or committee size and composition
- Board and/or committee structure and/or responsibilities
- Board succession planning and refreshment

One company disclosed that changes had been made but gave no hint about what had changed.

#### Korn Ferry comment

For the last three years, disclosures about changes following board evaluations have remained consistently low. Companies that disclose the changes they made following their evaluation demonstrate to investors and stakeholders that they are serious about improving board effectiveness and performance.

# HIGHLIGHTING BEST PRACTICES FROM 2024

Over the last three years, boards have increased the amount of information they disclose in their proxy about their board evaluation process. Below are some best practices in disclosure we observed from the 2024 proxies.



**Sharing framework used in the evaluation process**

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**Including timeframes or timelines for the process**

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**Disclosing the process followed in the prior year, including what is being evaluated, how the evaluation is being conducted, and who is leading it**

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**Communicating when and how third parties are engaged**

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**Sharing outcomes and action items from the prior year's evaluation**

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**Incorporating timelines on action items and follow up**

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**Disclosing changes that will be made to the following year's evaluation**

## STAKEHOLDER PERSPECTIVES ON DISCLOSURE FROM GIBSON DUNN & CRUTCHER LLP

Board evaluations can be a critical tool to enhance overall board performance and effectiveness, as well as to guide and support the board's refreshment strategy and director succession planning process.

In addition, there are a number of stakeholder-driven benefits to companies from conducting and disclosing a robust board evaluation process:

### **Demonstrating compliance with regulatory requirements**

Although Nasdaq does not require its listed companies to conduct a board evaluation, the NYSE expects its listed companies to annually conduct an evaluation for both the full board and key board committees (audit, compensation, nominating).

### **Improving corporate governance scores**

Disclosure around the board's evaluation process can be a factor in certain ESG-related scoring methodologies. For example, proxy advisory firm ISS factors these disclosures into the determination of a company's QualityScore, which is available to the public and included in ISS' company voting reports.

### **Providing investors a glimpse inside the boardroom**

As director elections become more challenging and the stakes become higher, it is increasingly important for companies to provide investors with additional information in the proxy statement (beyond what's required by SEC rules) to show that the board is taking an active stewardship role to protect the long-term interests of shareholders. Disclosure around board evaluations is one area where companies can set themselves apart.

### **Demonstrating robust corporate governance practices**

Investors, proxy advisors, and prominent organizations within the governance community, such as the Business Roundtable, Council of Institutional Investors and Investor Stewardship Group, consistently cite the board evaluation process as a key tenet for effective corporate governance. For example, BlackRock and Vanguard include the board evaluation process among their engagement priorities.

Companies have significant flexibility in determining the process to be used for the board evaluation. However, from a liability and discoverability risk mitigation perspective, regardless of the format selected to conduct the board evaluation, it is important to consult with counsel (whether inside counsel or outside counsel) on considerations for structuring the process in a manner that can help protect its confidentiality.

# CONDUCTING A BOARD EVALUATION TO DEVELOP THE OPTIMAL BOARD

High-performing boards strive for continuous improvement and seek to optimize the talents and time of their members. Board evaluations should be seen as an important milestone in the development of the board, rather than a rote compliance exercise.

**We believe there are three important elements in a rigorous board evaluation:**

01

Using the Right  
Approach and Tools

02

Covering the  
Right Topics

03

Being Clear About  
the Outcomes

# 01

## Using the Right Approach and Tools

**Board evaluations need to move beyond simply running a survey to review a board's structure and processes. We have seen too many board surveys in which directors score everything four or five out of five and are wary of writing candid comments.**

The best evaluations focus on topics that do not lend themselves to checking a box on a survey, including board diversity and inclusion, director behavior, and the board's relationship with management.

There are better ways to conduct a board evaluation that can drive a cycle of continuous improvement:

### 01 | CONFIDENTIAL INTERVIEWS

Confidential, individual interviews with each board director—and members of management who work closely with the board—are a powerful tool to collect more candid feedback. Interviews can also be used as part of a peer feedback process to evaluate individual directors.

### 02 | BOARD DISCUSSIONS

There are too many boards who give scant time to discuss and agree actions coming out of a board evaluation. In the spirit of continuous improvement, boards should set aside time for discussion in a board meeting, perhaps in an executive session or as part of an offsite.

### 03 | BOARD OBSERVATION

Confidential, third-party observation of board discussions, culture and dynamics, decision making practices, dynamics with management, etc. can be a useful way to verify findings and develop recommendations to improve the board.

### 04 | BOARD SUCCESS PROFILE

There is increasing interest in the use of data-driven competency and behavior-based assessment tools to supplement interview-based peer review of directors.

### 05 | BENCHMARKING

Benchmarking the governance structure/practices and board composition of peer companies and/or best-in-class companies is another useful board evaluation tool. Comparing board composition and structure with other organizations can create new insights for the board.

# 02

## Covering the Right Topics

In our view the board evaluation process ought to consider what we call the ‘4xPs’.

### PURPOSE

What the Board focuses on

### PEOPLE

Who sits at the table

### PARTNERSHIP

Who and how to engage

### PROCESS

How work gets done

We believe boards work most effectively when there is alignment between their **purpose**, their composition (**people**), their approach to **partnership** with each other and with management and other stakeholders, and their **process** and structure. Strong board leadership—from the board chair or lead independent director, and committee chairs—is required to activate and sustain board effectiveness.

Building the evaluation to cover these topics will give boards the opportunity to move from a check-the-box compliance evaluation to one that can be used to drive continuous improvement in board performance.

Korn Ferry’s approach to board effectiveness (the 4xPs):

### PURPOSE

#### What the Board Focuses On

- Company Purpose
- Board Role
- Strategy and Risk Alignment
- CEO Succession Planning
- Sustainability/ ESG/HCM\* Oversight
- Corporate Governance Policy Review

### PEOPLE

#### Who Sits at the Table

- Collective Board Skills and Experiences
- Board Leadership Roles and Succession
- Longer-term Board Succession Planning
- Individual Director Contribution and Peer Review
- Board Diversity
- Onboarding and Continuing Education

### PARTNERSHIP

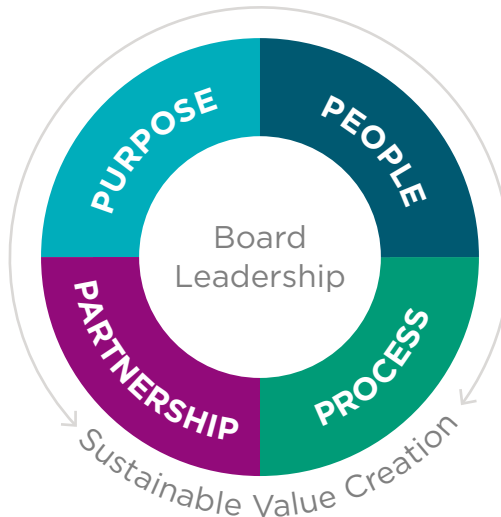
#### Who and How to Engage

- Board Culture and Dynamics
- Board Relationship with Management
- Board Inclusion
- Stakeholder Relationships

### PROCESS

#### How Work Gets Done

- In Person and Virtual Meetings
- Agendas and Charters
- Committee Structure
- Information Flow
- Meeting Materials



\*ESG: Environmental, Social, Governance; HCM: Human Capital Management

# 03

## Being Clear About the Outcomes

**There are two aspects of effective follow-through after a board evaluation:**



Board leaders (in partnership with the CEO) should review the results and align around each recommendation to prioritize. The nominating and corporate governance committee should develop an action plan for each recommendation, include target timeframes and owners, and then share progress updates with the board.



Board leaders together with the legal team should ensure effective disclosure of the evaluation process and selected outcomes. Let investors know the board takes continuous improvement seriously.

Disclosure might include an overview of the:

- Process and responsibilities
- Topics addressed
- Key takeaways and action items
- Updates on the key takeaways and any changes implemented from prior year evaluations





# CONCLUSION

Over the last several years there has been increased pressure on boards and board members to handle complex business issues while practicing effective governance.

**A recent study from PwC and The Conference Board published in April 2024 stated that 92% of executives and 62% of CEOs say that one or more directors on their boards should be replaced.<sup>6</sup> PwC's 2024 Annual Corporate Directors Survey found that 49% of directors think that at least one director on their board should be replaced, and 25% think at least two should be replaced.<sup>7</sup>**

We believe a rigorous, developmentally-oriented board evaluation process includes the evaluation of individual directors on a regular basis. Evaluation of individual directors can help identify a director's skills

and experiences, contributions to board and committee discussions, and development opportunities. The output from rigorous individual evaluations should be considered when discussing the renomination of directors.

Board evaluations, including of individual directors, are critical for good governance: ensuring the development of the optimal board. Independent third parties can assist in board and individual evaluations to provide an objective perspective and share best practices from their work with other boards. Please contact us to discuss how you can develop the optimal board.

<sup>6</sup> 2024. "Board effectiveness: A survey of the C-suite." Governance Insight Center, PwC & The Conference Board, April 2024. <https://www.pwc.com/us/en/services/governance-insights-center/library/assets/pwc-trust-gic-csuite.pdf>

<sup>7</sup> 2024. "PwC's 2024 Annual Corporate Directors Survey." Governance Insight Center, PwC. <https://www.pwc.com/us/en/services/governance-insights-center/library/assets/pwc-uncertainty-and-transformation-2024.pdf>

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**Gibson Dunn Contributors:** Aaron Briggs, Lauren Assaf-Holmes, and Andrea Shen.



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