

2018 UK Spencer Stuart Board Index Highlights

Now in its 23rd year, the *UK Spencer Stuart Board Index* analyses the board governance practices of the top 150 FTSE companies. Some of the most notable findings are highlighted below.

BOARDS ARE BECOMING MORE DIVERSE — BUT PROGRESS IS MIXED

UK listed companies continue to focus on improving the diversity of their boards and there has been a significant increase in the number of women in the boardroom, up 160% since 2008.

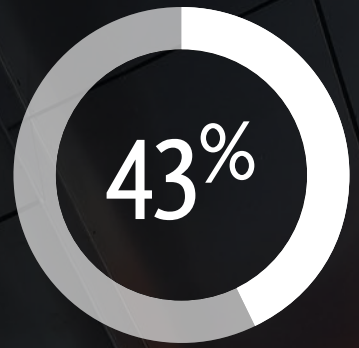
- » 27.5% of all board directors in the top 150 FTSE companies are women.
- » 38.5% of all non-executives are women.
- » 43% of all non-executives appointed in the past year were women.
- » 46.9% of the first-time directors appointed during the year were women.

However, while gender diversity among non-executive directors is rising steadily, the picture is less rosy at the executive level.

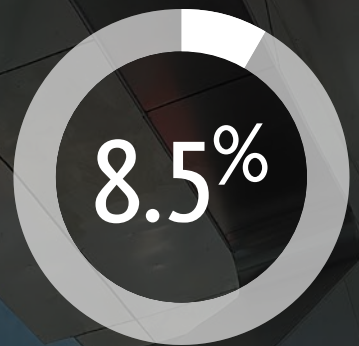
- » 8.5% of executive directors are women, a slight decline from 8.9% in 2017.

The Parker Review has encouraged companies to aim for a target of one director of colour by 2021 (FTSE 100) or 2024 (FTSE 250). However, the level of ethnic diversity in the top 150 FTSE companies remains low.

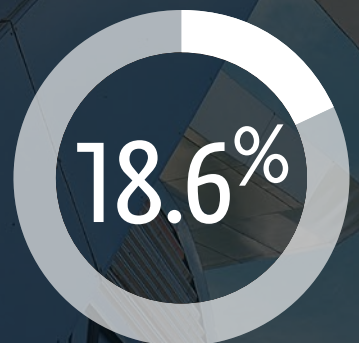
- » In 2018, we identified 8% of all board members in the top 150 companies as black or minority ethnic (BME). 10.9% of non-executives and 3.8% of executive directors are BME.
- » Among all BME directors, 25.4% are UK nationals.



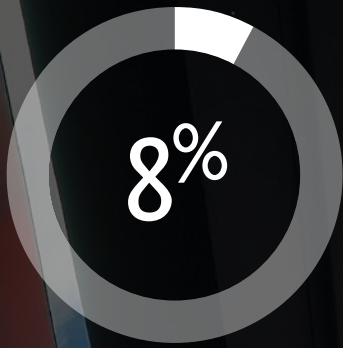
of new non-executive directors are women



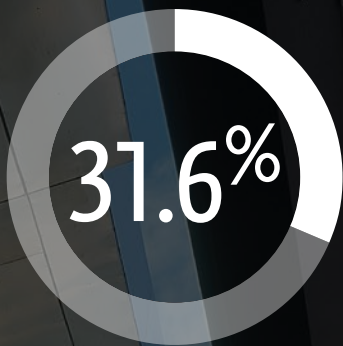
of executive directors are women



of executive committee members are women



of directors are black or minority ethnic



of new appointments were first-time directors

4.7 years

is the average tenure of CEOs

THERE ARE FEWER WOMEN IN THE MOST SENIOR EXECUTIVE ROLES

Despite the Hampton-Alexander Review's target of 33% women on executive committees (ExCo's) and their direct reports by 2020, there is still a long way to go. The *UK Spencer Stuart Board Index* has been tracking the number of female ExCo members for a number of years, and the representation of women in top management roles in UK listed companies has changed very little.

- » 18.6% of ExCo members are women, down from 19.4% in 2017. Over five years there has been an increase of just four percentage points.
- » 57.8% of ExCo's have two or more female directors, down from 62% in 2017.
- » 15.7% of ExCo's are all-male, up from 7.6% in 2017.

NEWLY APPOINTED DIRECTORS

Turnover on UK boards has remained fairly steady over the past three years.

- » 13.6% of all directors were appointed in the 12 months covered by this Board Index.
- » 31.6% of new appointments were joining a listed company board for the first time.
- » 74% of new non-executives had a general management, divisional CEO or CEO background; 40% of these were women.

OVERBOARDING (EXTERNAL COMMITMENTS)

Under increased scrutiny and facing a growing workload, directors are becoming increasingly mindful of the dangers of 'overboarding' and their own 'governance risk' scores. As the task of board directors becomes more onerous, it is becoming harder and harder to do justice to multiple directorships.

The reduction in the number of chairs who sit on additional listed company boards is a reflection of the growing demands and time commitment inherent in the role.

- » One-third of chairs do not have another listed company directorship, up from one quarter in 2017 and just 17% in 2008.
- » The proportion of CEOs with an outside directorship has fallen to 35% in 2018 from 44% in 2008.
- » Just 32.8% of CFOs sit on an outside board.

BOARDS PRIORITISE PERFORMANCE EVALUATIONS

Board evaluations have become an accepted and valued part of the board's calendar. All but two FTSE 150 companies conducted a board evaluation in the past year, and 42.7% engaged an outside facilitator to conduct their board performance review. That figure has remained stable for the past three years. Such reviews not only help boards to address behavioural issues, but they provide an opportunity to consider the gaps and longer-term needs in board composition.

CEO TENURE IS GETTING SHORTER WHILE CHAIRS ARE STAYING LONGER

Average tenure on UK boards is shorter than in most markets in Europe and North America, but there have been some shifts.

- » The average tenure of CEOs in the top 150 listed companies is 4.7 years, a significant drop from 5.5 in 2017. In part, this is explained by a high number of newly appointed CEOs and some long-tenured retirements.
- » The average tenure of chairs has increased to five years from 4.5 years in 2017.
- » Non-executive tenure stands at 4.1 years. This figure has remained more or less constant since 2008.

COMMITTEES ARE PROLIFERATING

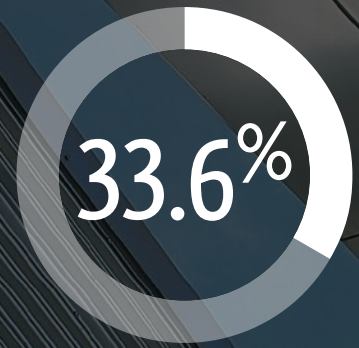
There has been a proliferation of board committees over the past decade.

- » 58% of boards have four or more committees, compared with 33% in 2008.
- » Risk is the most common fourth board committee. 19.3% of boards have a separate risk committee and most of these are financial services companies.
- » 20% of companies have a CSR/sustainability committee.
- » 21% of companies have five or more committees.

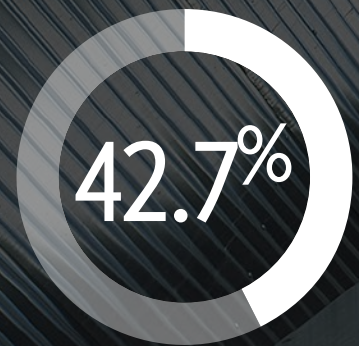
DECLINING INDEPENDENCE

The percentage of directors who are independent decreased during the past year.

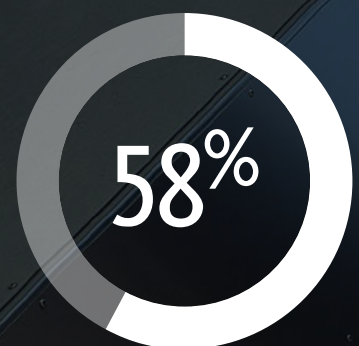
- » 77% of companies considered all of their non-executives to be independent, down from 83% in 2017.
- » Nevertheless, 94.4% of all non-executives are considered independent.
- » Among the 10 companies with the lowest percentage of independent directors, eight are companies of non-UK provenance.



of chairs do not sit on another listed company board



of boards had an externally facilitated evaluation



of boards have four or more committees

Amsterdam
Atlanta
Bangalore
Barcelona
Beijing
Bogotá
Boston
Brussels
Buenos Aires
Calgary
Chicago
Copenhagen
Dallas
Dubai
Düsseldorf
Frankfurt
Geneva
Hong Kong
Houston
Istanbul
Johannesburg
Lima
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Moscow
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
São Paulo
Seattle
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zürich

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