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2018 U.S. Spencer Stuart Board Index Highlights

Now in its 33rd year, the *U.S. Spencer Stuart Board Index* analyzes the board governance practices of the S&P 500. Some of the most notable findings are highlighted below.

BOARDS ARE BRINGING IN FRESH SKILLS, QUALIFICATIONS AND PERSPECTIVES

Responding to rapidly changing business challenges, emerging risks and increasing attention to director relevance and quality by investors and other stakeholders, S&P 500 boards are adding directors with new skills, qualifications and perspectives.

S&P 500 boards appointed 428 new directors during the 2018 proxy year, the most since 2004 and an increase of 8% from 2017.

- 57% of boards added at least one new director.

Nearly two-thirds (65%) of the incoming class come from outside the most senior board and company leadership roles.

- Only 35.5% of the new directors are CEO-level — active or retired CEOs, chairs, vice chairs, presidents or COOs — down from 47% a decade ago.
- 45% of CEOs of S&P 500 companies serve on an outside board.
- Reversing a decade-long decline, 56% of the incoming class are actively employed.

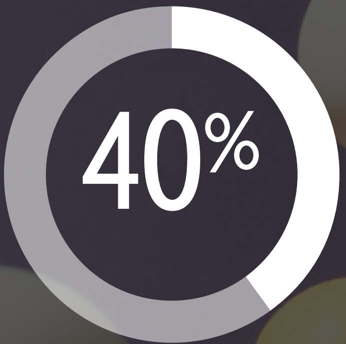
First-time directors comprise 33% of the incoming class of S&P 500 directors. They are younger than their experienced peers and more likely to be actively employed (64% versus 53%).

More than a quarter (25.5%) of the incoming directors are financial experts, up from 18% in 2008.

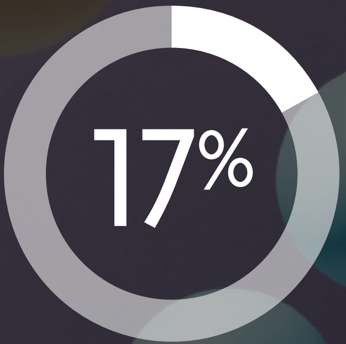
- 11% are experienced CFOs/financial executives.
- 10% are investors.

428

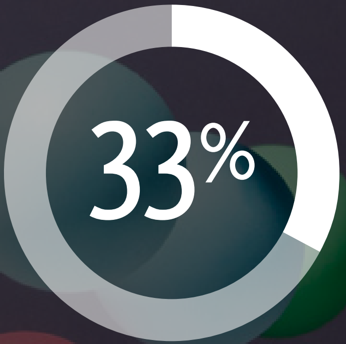
New independent directors



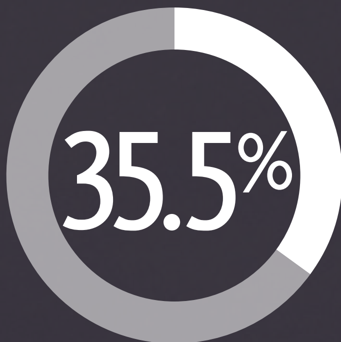
New female directors



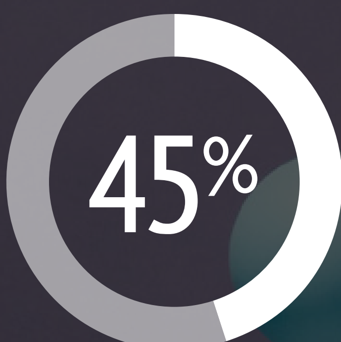
"Next-gen" directors (50 years old or younger)



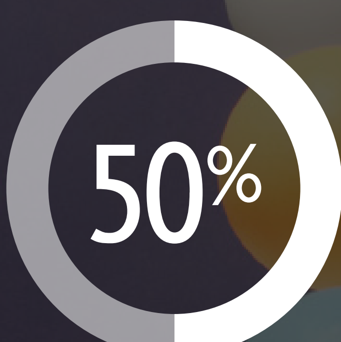
New directors serving on first corporate board



of new directors are CEO-level



of CEOs serve on at least one outside board



of boards have a separate chair and CEO

17% of the incoming class are age 50 or younger, up slightly from 16% last year.

- More than one-third of these next-gen directors have backgrounds in the tech/telecommunications sector.
- More than half (53%) are women.

PROGRESS IN BOARDROOM DIVERSITY IS MIXED

For the second consecutive year, women and minorities represent half of the class of new S&P 500 directors.

- Women represent a record-breaking 40% of the incoming class (up from 36% in 2017).
- Minority women are 9% of the new directors, up from 6% last year.
- But minority men (defined as African-American, Hispanic/Latino or Asian) represent just 10% of the incoming class, down from 14% last year.

Because of modest board turnover overall, the representation of women increased incrementally to 24% of all directors, up from 22% in 2017, despite the record number of new female directors.

- 87% of boards have two or more women directors, up from 80% last year and 56% a decade ago.
- Women now chair 20% of audit committees, 19% of compensation committees and 24% of nominating/governance committees, compared to 20%, 17% and 22% in 2017.
- Women represent only 7% of independent board chairs, unchanged from last year, and 10% of lead/presiding directors, versus 9% last year.

BOARD ASSESSMENTS ARE STANDARD PRACTICE, BUT INDIVIDUAL ASSESSMENTS ARE FAR LESS PREVALENT

Annual assessments have become the norm for boards, and 98% of S&P 500 companies in our index reported conducting a board assessment over the past year.

- Only 38% — largely unchanged from 37% last year and 33% five years ago — report some form of individual director evaluations.
- 9% disclosed retaining an independent expert to facilitate the evaluation process, compared to only 2% last year.

MANDATORY RETIREMENT POLICIES ARE AN IMPORTANT TURNOVER MECHANISM

S&P 500 boards continue to rely on mandatory retirement policies to facilitate board turnover.

- 71% of S&P 500 boards disclose a mandatory retirement age for directors, largely unchanged over the past five years.
- Among those with retirement age policies, 43.5% set the age at 75 or older, compared with 42% in 2017.
- Three boards have a retirement age of 80.

Over the past year, 406 independent directors left S&P 500 boards. They departed at an average age of 68.4 and with an average tenure of 12.7 years.

- 56% left at 70 or older.
- 36% served on the board for 15 or more years.
- 37% left when either reaching or exceeding the age limit.
- Only 25 S&P 500 boards (5%) set explicit term limits for non-executive directors.

INDEPENDENT BOARD CHAIRS ARE ON THE RISE

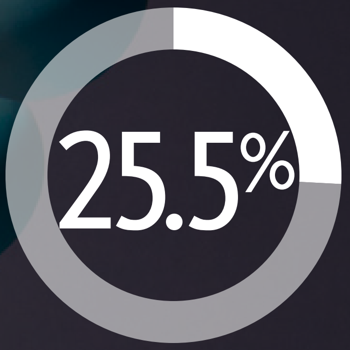
Half of S&P 500 boards split the chair and CEO roles, up from 39% a decade ago.

- 30.5% of boards have an independent board chair.
- 80% report having an independent lead or presiding director.

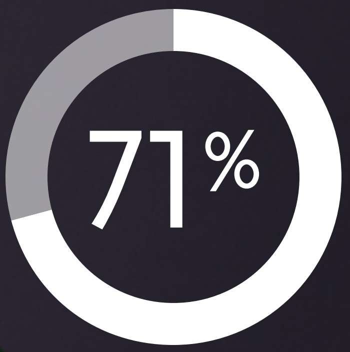
GROWTH IN DIRECTOR COMPENSATION CONTINUES TO OUTPACE INFLATION

The average total compensation for S&P 500 non-employee directors, excluding independent chairs, is around $295,000, a 3% year-over-year increase.

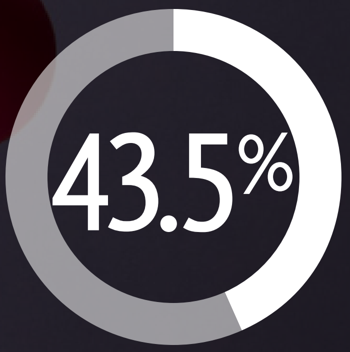
- On average, director pay breaks down as follows: 56% paid in stock awards, 38% in cash and 4% in stock options.
- Only 10% of S&P 500 companies pay non-employee directors for attending board meetings, down from 45% a decade ago.
- The highest-paying sectors for directors are: healthcare ($363,328); information technology ($337,492); energy ($324,801) and telecommunications services ($330,909).



of new directors have finance backgrounds



of boards report having a mandatory retirement age



of boards with a retirement age set it at 75 or older

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Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 57 offices, 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 and many other facets of organizational effectiveness.

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