



SpencerStuart

2018

Hospitality & Leisure
Governance Snapshot

ABOUT SPENCER STUART BOARD SERVICES

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

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.

For more than 30 years, our Board Practice has helped boards around the world identify and recruit independent directors and provided advice to board chairs, CEOs and nominating committees on important governance issues. We serve a range of organizations across geographies and scale, from leading multinationals to smaller organizations. In the past year alone, we conducted more than 600 director searches worldwide, and in North America one-third of those assignments were for companies with revenues under \$1 billion.

Our global team of board experts works together to ensure that our clients have unrivaled access to the best existing and potential director talent, and regularly assists boards in increasing the diversity of their composition. We have helped place women in more than 1,800 board director roles and recruited more than 600 diversity executives around the world.

In addition to our work with clients, Spencer Stuart has long played an active role in corporate governance by exploring — both on our own and with other prestigious institutions — key concerns of boards and innovative solutions to the challenges facing them. Publishing the *U.S. Spencer Stuart Board Index (SSBI)*, now in its 33rd edition, is just one of our many ongoing efforts.

Each year, we sponsor and participate in several acclaimed director education programs, including:

- » Next-Gen Board Leaders (NGBL), an initiative designed to foster a community of current and aspiring directors to spark discussion around the challenges, opportunities and contributions of a younger generation in today's boardrooms
- » The Global Institute, sponsored by the WomenCorporateDirectors (WCD) Foundation
- » The Corporate Governance Conference at Northwestern University's Kellogg School of Management
- » The New Directors Program, a unique two-year development program designed to provide first-time, non-executive directors with an exclusive forum for peer dialogue on key issues and "unwritten rules" of corporate boards, produced in partnership with the Boston Consulting Group, Frederick W. Cook & Co., Davis Polk, Lazard and PricewaterhouseCoopers

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Introduction

Spencer Stuart is pleased to present this year's *Hospitality & Leisure Corporate Governance Snapshot*, highlighting the latest data and trends in board composition, board practices and director compensation for 20 U.S. hospitality and leisure companies. In addition, we examine how hospitality companies compare to the broader S&P 500 index. Our analysis is based on the most recent proxy statements filed between October 23, 2017, and August 6, 2018, from the following companies:

- » Bloomin' Brands
- » Booking Holdings
- » Brinker International
- » Carnival Corporation
- » Darden Restaurants
- » Dine Brands International
- » Domino's
- » Expedia
- » Hilton Worldwide Holdings
- » Host Hotels & Resorts
- » Hyatt Hotels Corporation
- » Marriott International
- » McDonald's Corporation
- » MGM Resorts International
- » Royal Caribbean Cruises
- » Starbucks Corporation
- » TripAdvisor
- » Vail Resorts
- » Wyndham Destinations
- » Yum! Brands

Director Recruiting and Board Composition

Hospitality and leisure company boards have 10.5 members on average, a slight increase from 10.2 in 2017. This is roughly the same as S&P 500 company boards, which have an average of 10.8 members. Independent directors represent 78% of all directors on hospitality and leisure company boards, compared with 85% of S&P 500 directors.

INDEPENDENT DIRECTORS

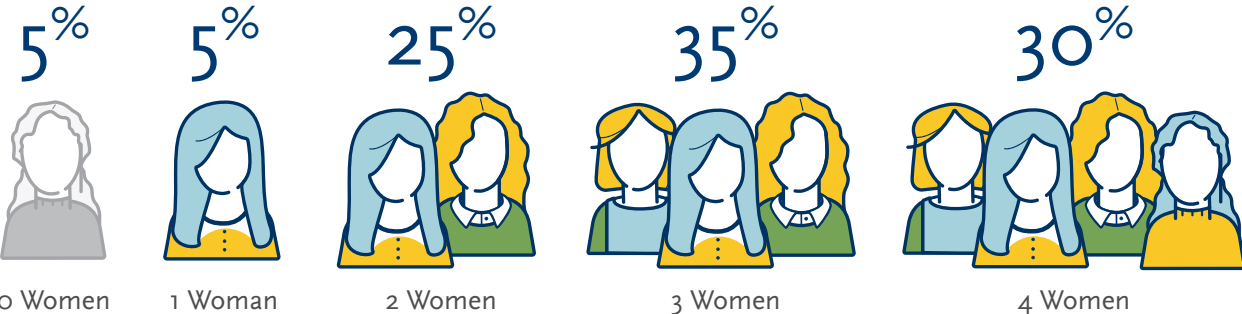
The average age of hospitality and leisure independent directors is 60.2, nearly three years younger than the S&P 500 average of 63. The youngest hospitality board has an average age of 46.8 (TripAdvisor) and the oldest has an average age of 66.1 (Wyndham Destinations).

The average tenure of hospitality company directors is 8.2 years, up from 7.3 in 2017. This is closely aligned with the S&P 500 average, 8.1 years. The longest average board tenure for hospitality companies is 13.6 years, while the shortest is 3.9.

FEMALE DIRECTORS

The number of female hospitality board members continues to climb, with women representing 27% of all board members this year. One hospitality company board (TripAdvisor) has no female directors. This is a departure from the two previous years when every hospitality company in our index had at least one woman on their boards. Ninety percent of boards have two or more female directors, a slight increase from 85% last year. Ninety-nine percent of S&P 500 boards have at least one female director.

Representation of Women Directors on Hospitality Company Boards



NEW DIRECTOR BACKGROUNDS

Gender Breakdown

	Hospitality & leisure		S&P 500	
	New directors	%	New directors	%
New independent directors	13	6.2%	428	-
Women	7	54%	171	40%
Men	6	46%	257	60%

More than half (54%) of new H&L company directors in the 2018 proxy year are women. This represents an increase from 2017, when 33% of new directors were women. By comparison, 40% of new S&P 500 directors in 2018 are women. New directors have a broad range of functional and industry backgrounds.

Employment Status

	Employed	Retired
Women	5	2
Men	4	2

Functional and Industry Experience

Functional backgrounds		Industry background	
Chair/CEO/president/COO/vice chair	3	Consumer goods & services	5
Finance management/CFO/treasurers	3	Private equity/investment	2
Division/subsidiary presidents/heads	2	Communications/media/publishing	1
EVP/SVP/functional unit heads	2	Government	1
Academia/not-for-profit	1	Healthcare	1
Investment management/investors	1	High tech/telecommunications	1
Government/military	1	Academia/nonprofit	1
		Professional services	1

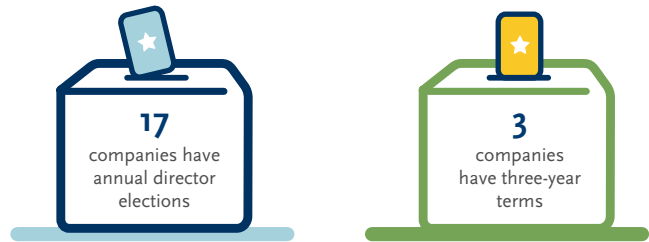
BOARD LEADERSHIP

Seventy-five percent of hospitality company boards have a separate board chair and CEO, up from 60% in 2017. By contrast, only 50% of S&P 500 boards have separated the board chair and CEO roles. None of the companies that report having an independent chair have a lead or presiding director. Sixty-five percent of all hospitality companies have a lead or presiding director, versus 80% of the S&P 500 (down from 84% last year). Among hospitality companies where the CEO is also the board chair, all have either a lead or presiding director.

Board Organization and Process

ANNUAL DIRECTOR ELECTIONS

Eighty-five percent (17) of hospitality company boards have annual director elections, and the remaining 15% (three) have three-year terms. By comparison, 92% of S&P 500 boards have one-year terms and 8% have three-year terms.



BOARD MEETINGS

Hospitality company boards met an average of 6.3 times, down from 7.7 in 2017. In contrast, S&P 500 boards met an average of 8.0 times. A growing proportion (60%) of hospitality company boards held five or fewer board meetings in 2018, compared with only 25% in 2017. The number of meetings held by hospitality company boards ranged from four to 16.



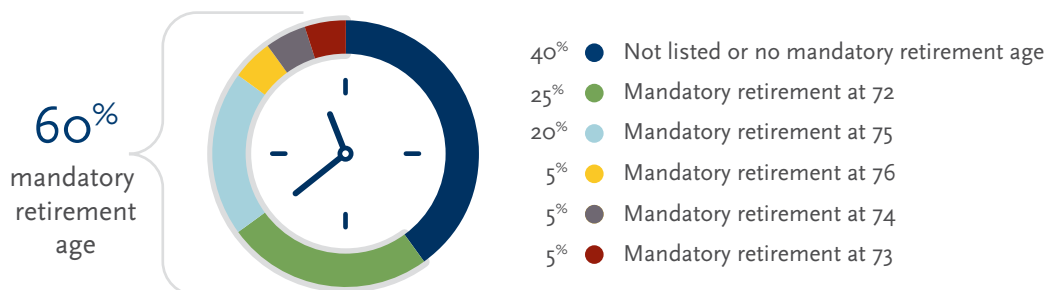
Board Meetings Breakdown

	5 or fewer meetings	6 to 9 meetings	10 or more meetings
2018	60%	30%	10%
2017	25%	55%	20%

MANDATORY RETIREMENT

Sixty percent of hospitality company boards report having a mandatory retirement age in their proxies, a significant uptick from 45% in 2017. This percentage appears to be moving closer to S&P 500 boards, of which 71% disclose a mandatory retirement age. Mandatory retirement ages range from 72 to 76, with a median retirement age of 73.5.

Mandatory Retirement Breakdown

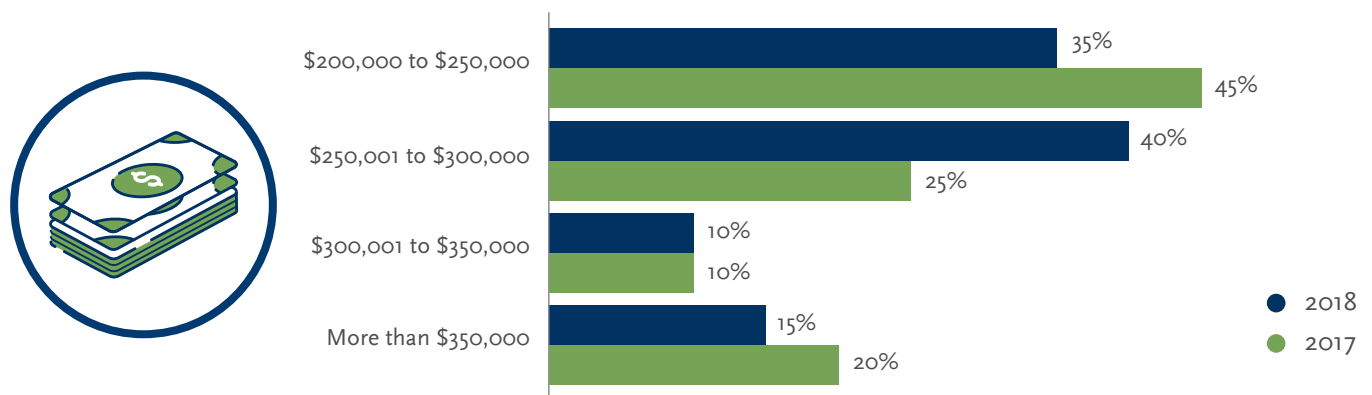


Compensation

TOTAL DIRECTOR COMPENSATION

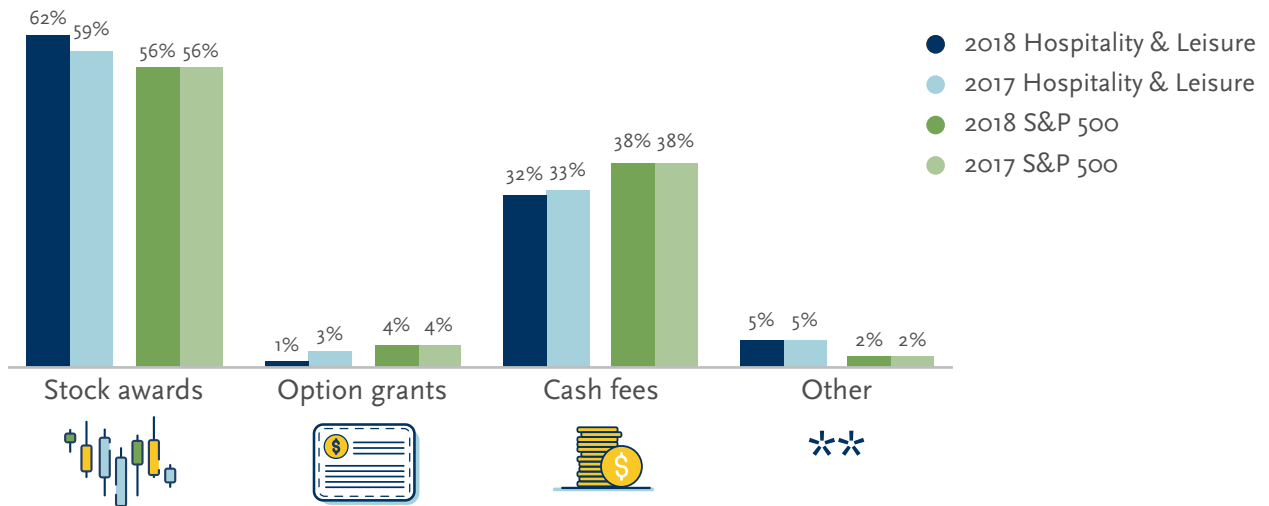
The total average per-director compensation for hospitality company directors is \$282,069, less than the 2017 average of \$290,855, and lower than the S&P 500 average of \$298,981. As in 2017, all hospitality companies reported compensation of at least \$200,000, with average per director compensation ranging from \$204,414 to \$534,447.


Total Director Compensation Value Breakdown



In 2018, 62% of average director compensation is provided in the form of stock awards, a slight increase from 59% in 2017. When looking at individual companies, stock grants represent as much as 99% of director compensation and as little as 44%. While all hospitality companies provide board directors with stock grants, only one company provides stock options. Cash compensation represents 32% of director compensation on average, similar to 33% in 2017.

Director Compensation Breakdown





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
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