

2019 UK Spencer Stuart Board Index Highlights

Now in its 24th 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

The UK's top companies are making concerted efforts to reinvigorate their boards, appointing a record number of new non-executive directors this year. The class of 2019 comprises 238 new directors, including more new faces, more women and improving levels of ethnic diversity.

- » 72% of boards appointed a new non-executive director in the past year (up from 65.3% in 2018).
- » For the first time, the majority of these — 52.7% — were female.
- » 58.3% of first-time directors are women.
- » Women make up 30.5% of all directors and 42.7% of non-executives (excluding chairs).
- » 52.1% of first-time directors are foreign.
- » 92% of first-time non-executive directors did not attend Oxbridge.

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

- » Just 8.3% of all executive directors are women, a slight decline over the past two years.

New non-executive directors continue to have varied backgrounds.

- » 35.2% have financial services experience.
- » 20.3% have experience in the industrial sector.
- » Just over one-third of new non-executives have CEO experience; 22% have CFO or audit experience.

238

New directors
appointed

52.7%

of new non-executives
are women

58.3%

of first-time directors
are women

8.3%

of executive directors
are women

20.4%

of ExCo members
are women

12

companies have
four or more women
on their ExCo

9.6%

of ExCos are
all-male

32%

of chairs do not
have another listed
company directorship

28%

of CEOs sit on an
outside listed
company board

GENDER DIVERSITY ON EXECUTIVE COMMITTEES IS INCREASING AT A GLACIAL PACE

Despite the Hampton-Alexander Review's target of 33% women on executive committees (ExCos) 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; the representation of women in top management roles in UK listed companies has changed very little.

- » 20.4% of ExCo members are women (164 out of 805). Over six years there has been an increase of just six percentage points.
- » 57.8% of ExCos have two or more female members, unchanged from 2018 and still below the 2017 figure of 62%.
- » 12 companies have four or more women on their ExCo.
- » 9.6% of ExCos are all-male.
- » 29% of women on ExCos lead the HR function.
- » 24% of women on ExCos are either a divisional or regional CEO with P&L responsibility.

OVERBOARDING (EXTERNAL COMMITMENTS)

Investors and boards are becoming increasingly concerned about the dangers of 'overboarding', as the task of board directors becomes more onerous. The trend seems to be towards a recommendation of four or, at the very most, five mandates, with chair counting as two. 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.

- » 32% of chairs do not have another listed company directorship, up from 25% in 2017 and just 17% in 2008.

The general principle that executives should have no more than one external role has also been reinforced. Fewer senior executives than ever are sitting on outside boards.

- » The proportion of CEOs with an outside directorship has fallen to 28% in 2019 from 47% in 2009.
- » Just 28.7% of CFOs sit on an outside board.

COMMITTEES

Many types of board committee exist across the top 150 companies, although this year slightly fewer boards (56.7%) have more than three committees.

- » 56.7% of boards have four or more committees, compared with 58% in 2009.
- » 22% of companies have five or more committees.
- » 52% of remuneration committee chairs are women (a record high).
- » 21.3% of companies have a CSR/sustainability committee.
- » 17.3% of boards have a separate risk committee and 80% of these are found in financial services companies.

THE TENURE OF CEOS HAS INCREASED WHILE THE TENURE OF CHAIRS HAS FALLEN

Average tenure on UK boards continues to be lower than in most of Europe and North America, but there have been some changes.

- » The average tenure of CEOs in the top 150 listed companies increased slightly to 4.9 years.
- » The average tenure of chairs has reduced slightly to 4.9 years, although non-executive chairs currently average 4.4 years.
- » Non-executive tenure remains 4.1 years. This figure has remained more or less constant for over 10 years.
- » The average tenure of female non-executives is 3.6 years, compared with 4.5 years for their male peers.

REMUNERATION

Fees for board membership have climbed steadily over the past decade.

- » Average retainers for part-time chairs have increased by 29.7% since 2009 to £404,544.
- » Average retainers for non-executive directors have increased by 28.2% to £69,238 during the same period.
- » The average total fee for non-executive directors is £97,837.
- » Most senior independent directors receive an additional fee, which averages £22,853 — a 5.3% increase.

52%

of remuneration committee chairs are women

4.9 years

is the average tenure of both chairs and CEOs

3.6 years

is the average tenure of female non-executive directors

£404,544

is the average retainer for part-time chairs

£97,837

is the average total fee for non-executive directors

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