Now in its 35th 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.

**Women, minority men constitute a majority of the new director class**

S&P 500 boards are heeding the growing calls from shareholders and other stakeholders for enhanced boardroom diversity of gender, age, race/ethnicity and professional backgrounds. The 2020 incoming class of 413 independent directors shows that change is happening on many fronts, driven by the addition of women and minority men directors.

» 59% of the new independent directors are diverse (defined as women and minority men), tying the 2019 record.

Gender diversity is a clear boardroom priority, with women constituting 47% of the incoming class, compared to 46% last year. Of the 272 S&P 500 companies appointing new independent directors over the past year, just under half (48%) increased the number of women directors (on a net basis after independent director departures):

» 76 companies — 28% — increased the number of women directors by expanding their boards.

» 54 companies — 20% — increased the number of women directors while maintaining or reducing the number of independent directors.

Boards are also focused on racial/ethnic diversity. Although one-quarter (24%) of S&P 500 companies included a statement in their proxy committing to diverse slates when considering new directors, recruiting of minority directors fell slightly. Just under one of four new S&P 500 directors (22%) are minorities (defined as Black/African American, Asian and Hispanic/Latinx). This represents a slight decrease from 23% last year, but a notable increase from 12% a decade ago.

» Minority women represent 10% of the incoming class, consistent with last year.

» Minority men represent 12% of the new directors, a decrease from 13% last year.
While women and minority men make up more than half of the new independent directors, continued low boardroom turnover remains a persistent impediment to meaningful year-over-year change in the overall composition of S&P 500 boards. As a result, despite the record number of female directors, representation of women on S&P 500 boards increased incrementally to 28% of all directors, up from 26% in 2019 and 16% in 2010.

The profile of new S&P 500 directors is changing

**Boards are appointing directors with non-traditional skills and experiences**

In addition to gender and racial/ethnic diversity, the 2020 U.S. Spencer Stuart Board Index finds continued changes in the profiles of directors joining S&P 500 boards.

» **CEO experience is not required**: 65% of the 2020 incoming class come from outside the top executive ranks of CEO, chair/vice chair, president and COO.

» **Other corporate leadership skills are valued**: 23% have experience as division/subsidiary heads or as EVPs, SVPs or functional unit leaders.

» **Board experience is not a requirement**: 28% are serving on their first public company board.

» **Financial talent remains a priority**: 27% have financial backgrounds, with boards less interested in accounting and banking backgrounds and more focused on candidates with experience as CFOs/finance executives or investment professionals.

» **Age diversity is a lower priority**: 17% are 50 or younger.

**Diverse directors are the driving force behind the changing profile of new S&P 500 directors**

The profile of directors joining S&P 500 boards continues to shift, driven by the addition of diverse directors (women and minority men). The data show marked differences between the profiles of women and minority men joining S&P 500 boards over the past year and those of non-minority men.

» 32% of the diverse directors are serving on their first public company board versus 22% of the non-diverse directors.

» 23% are current or former other line or functional leaders, compared to 5% of non-diverse men.

» 18% are “next-gen” (defined as 50 or younger), compared to 16% of non-diverse men.

» 17% are current or former CEOs, compared to 46% of non-diverse male directors.

» 16% are financial executives — CFOs and treasurers — compared to 12% of the non-diverse men.

**Boards continue to add younger directors, but the average age of S&P 500 directors is unchanged**

17% of the incoming class of S&P 500 directors are “next-generation,” age 50 or younger.

» The majority (64%) of this year’s next-gen directors bring experiences from three industries: technology (33%), private equity/investments (17%) and consumer (14%).

» The average age of new S&P 500 independent directors is 57.8 — a year older than the 2010 average (56.5). The average age of all S&P 500 independent directors is 63, largely unchanged since 2009.
Absent changes in refreshment practices, low boardroom turnover rates are likely to continue

Over the past year, 425 independent directors left S&P 500 boards, departing at an average age of 68.5 and average tenure of 12.7 years.

» More than half — 54% — retired at 70 or older.
» 37% served on the board for 15 or more years.

Because boardroom turnover remains low, with the new directors representing only 8% of all S&P 500 directors, changes to overall composition continue at a slow pace.

» The number of S&P 500 boards disclosing a mandatory retirement age for directors has declined during the past 10 years; today 70% of S&P 500 boards disclose a mandatory retirement policy, compared with 74% in 2010. 18% report that they do not have a mandatory retirement age, and 12% do not discuss mandatory retirement in their corporate governance guidelines.

» 48% of S&P 500 boards with a retirement age set it at 75 or higher compared to just 19% a decade ago.

» More than three-quarters (77%) of the independent directors who left S&P 500 boards in the past year served on boards with mandatory retirement ages. The age limits influenced the majority of these departures, with 39% either exceeding or reaching the age cap and another 14% leaving within three years of the retirement age.

» Only 16% of the independent directors on boards with age caps are within three years of mandatory retirement. With these directors averaging 63 years of age, most S&P 500 directors have years of potential service before reaching mandatory retirement.

» Only 6% of S&P 500 boards set explicit term limits for non-executive directors, compared with 5% in 2010.

More boards report conducting individual director evaluations

» 98% of S&P 500 boards — all but eight — report conducting some sort of annual performance evaluation.

» 44% of S&P 500 companies — up from 29% 10 years ago — disclose that they have some form of individual director evaluations.

Most boards limit directors’ additional board activity in some way

The percentage of S&P 500 boards reporting that they limit directors from accepting other corporate directorships has increased over the past decade, to 77% from 71% in 2010.

» On average, independent directors of S&P 500 companies have 2.0 public corporate affiliations.

» 58% of S&P 500 CEOs serve on no outside boards, up from 54% 10 years ago.

Prevalence of lead/presiding directors declines with the rise of independent chairs

More than half (55%) of boards split the chair and CEO roles, up from 40% a decade ago.

» One-third (34%) of S&P 500 boards have an independent chair. A decade ago, only 19% of boards had an independent chair.

» 73% report having an independent lead or presiding director, compared with 75% last year and 96% a decade ago.
Board compensation is on the rise

The average total compensation for S&P 500 non-employee directors, excluding independent chairs, is around $308,462, a 1% year-over-year increase.

» Stock grants and cash represent the largest share of director compensation, 57% and 38%, respectively.

» 78% of S&P 500 boards provide stock grants to directors in addition to a cash retainer.

» Only 7% of S&P 500 companies pay non-employee directors for attending board meetings, down from 9% last year and 35% a decade ago.

» The highest-paying sectors for directors are:
  - Healthcare ($352,162)
  - Technology ($342,241)
  - Communications services ($335,206)
  - Energy ($324,589)

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