



SpencerStuart

2019

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 more than 60 offices, over 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, employee engagement 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 750 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 2,100 board director roles and recruited more than 750 minority 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 34th 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 Institutes, 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 the 2019 *Hospitality & Leisure Corporate Governance Snapshot*, highlighting the latest data and trends in board composition, board practices and director compensation for 31 U.S. hospitality and leisure companies.

In this report, we examine how hospitality companies compare to the broader S&P 500 index. We also, where appropriate, compare this year's findings to a similar study we conducted in 2018. However, for the 2019 index, we used a larger group of companies (compared to last year's 20) in order to offer a more representative industry sample, so year-over-year comparisons are directional only.

Our analysis is based on the most recent DEF14A proxy statements filed with the U.S. Securities and Exchange Commission between January 25, 2019, and October 29, 2019. Latest fiscal year revenue, where shown, was obtained from CapitalIQ. Total average compensation per non-employee director is based on non-employee director compensation tables included in each company's proxy statement. The number includes all board and committee retainers and meeting fees, supplemental non-executive chairman and lead/presiding director fees, the value of equity compensation, and all other compensation paid in latest fiscal year.

- » Bloomin' Brands
- » Booking Holdings
- » Brinker International
- » Carnival Corporation
- » Cedar Fair, L.P.
- » Chipotle Mexican Grill
- » Darden Restaurants
- » Dine Brands International
- » Domino's Pizza
- » Dunkin' Brands Group
- » Expedia Group
- » Hilton Worldwide Holdings
- » Host Hotels & Resorts
- » Hyatt Hotels Corporation
- » Marriott International
- » McDonald's Corporation
- » MGM Resorts International
- » Norwegian Cruise Line Holdings
- » Papa John's International
- » Park Hotels & Resorts
- » Pebblebrook Hotel Trust
- » Restaurant Brands International
- » RLJ Lodging Trust
- » Royal Caribbean Cruises Ltd.
- » Six Flags
- » Starbucks Corporation
- » TripAdvisor
- » Vail Resorts
- » The Wendy's Company
- » Wyndham Destinations
- » Yum! Brands

Director Recruiting and Board Composition

Hospitality and leisure company boards have 9.9 members on average, a slight decrease from the 10.5 average associated with a smaller group of companies in 2018. This is roughly one fewer director per board than S&P 500 company boards, which have an average of 10.7 members. Independent directors represent 80% of all directors on hospitality and leisure company boards, compared with 85% of S&P 500 directors.

INDEPENDENT DIRECTOR PROFILES

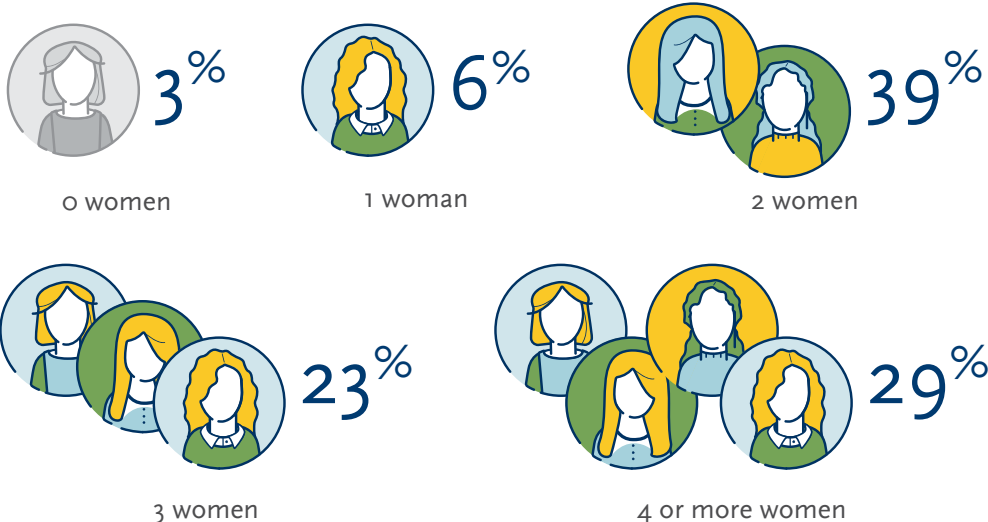
The average age of hospitality and leisure independent directors is 60.2, 2.5 years younger than the S&P 500 average of 62.7. The youngest average age of a hospitality board is 46.8 (TripAdvisor) and the oldest is 65.7 (Park Hotels & Resorts).

The average tenure of hospitality company directors is 7.3 years, lower than the S&P 500 average of eight years. The average board tenure for hospitality companies ranges from 2.1 years to 14.6 years.

FEMALE DIRECTORS

The number of women on hospitality boards continues to climb, with women representing 27.7% of all board members in 2019. One hospitality company board has no female directors. Ninety percent of boards have two or more female directors, the same level as last year. Every S&P 500 board today has at least one female director.

Representation of Women Directors on Hospitality Company Boards



NEW INDEPENDENT DIRECTOR BACKGROUNDS

Twelve of the 25 new hospitality & leisure company directors (48%) in the 2019 proxy year are women. By comparison, 46% of new S&P 500 directors in 2019 are women. The data matches what we've seen in other industries, where competitive, regulatory and financial pressures are driving companies to increase their focus on diversity.

Gender Breakdown — New Independent Directors

	Hospitality & leisure	S&P 500
Total	25	432
Women	12	198
Men	13	234

Employment Status

	Employed	Retired
Women	10	2
Men	5	8

Functional and Industry Experience

Functional backgrounds		Industry backgrounds	
Chair/CEO/president/COO/vice chair	9	Consumer goods and services	9
Finance management/CFO/treasurers	4	Private equity/investment	4
Investment management/investors	4	Communications/media/publishing	3
Division/subsidiary presidents/heads	2	Technology/telecommunications	3
EVPs/SVPs/functional unit heads	2	Accounting	2
Accountants	2	Consulting	1
Consultants	2	Healthcare	1
		Professional services	1
		Transportation products & services	1

BOARD LEADERSHIP

Seventy-seven percent (77%) of hospitality company boards have a separate board chair and CEO, compared to just 53% of S&P 500 boards. This gap may be a symptom of a rapidly changing industry landscape and desire for greater autonomy and separation of power between board and executive team. None of the hospitality and leisure 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 75% of the S&P 500. Among hospitality companies where the CEO is also the board chair, all have either a lead or presiding director.



of hospitality boards separate their board chair and CEO positions, compared to 53% of S&P 500 boards.

Board Organization and Process

ANNUAL DIRECTOR ELECTIONS

Eighty-one percent (25) of hospitality company boards have annual director elections, and the remaining 19% (six) have three-year terms. By comparison, 90% of S&P 500 boards have one-year terms and 10% have three-year terms.



BOARD MEETINGS

Hospitality company boards met an average of seven times, up from 6.3 in 2018. In contrast, S&P 500 boards met an average of 7.9 times. Only 26% of hospitality company boards held five or fewer meetings in 2019, compared with 60% among the 20 companies we studied in 2018 — perhaps an indication of the rising disruption affecting companies in this industry. The number of meetings held by hospitality company boards ranged from four to 16.



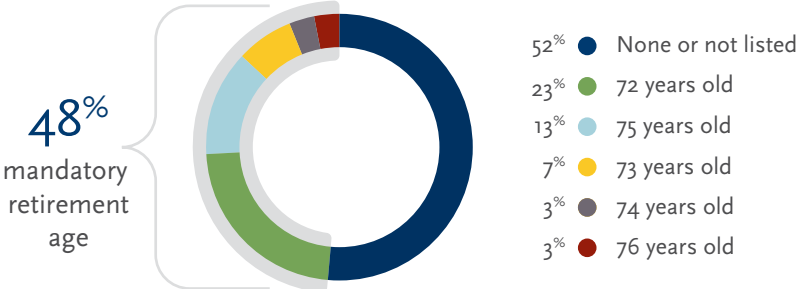
Board Meetings Breakdown

	Average number of meetings	5 or fewer meetings	6 to 9 meetings	10 or more meetings
2019	7	25.8%	58.1%	16.1%
2018	6.3	60%	30%	10%

MANDATORY RETIREMENT

Less than half (48%) of hospitality company boards report having a mandatory retirement age in their proxies, well below levels in the S&P 500, where 71% of boards disclose a mandatory retirement age. Mandatory retirement ages range from 72 to 76, with a median retirement age of 73.

Mandatory Retirement Breakdown*



* Numbers may not add to 100% due to rounding

Compensation

TOTAL DIRECTOR COMPENSATION

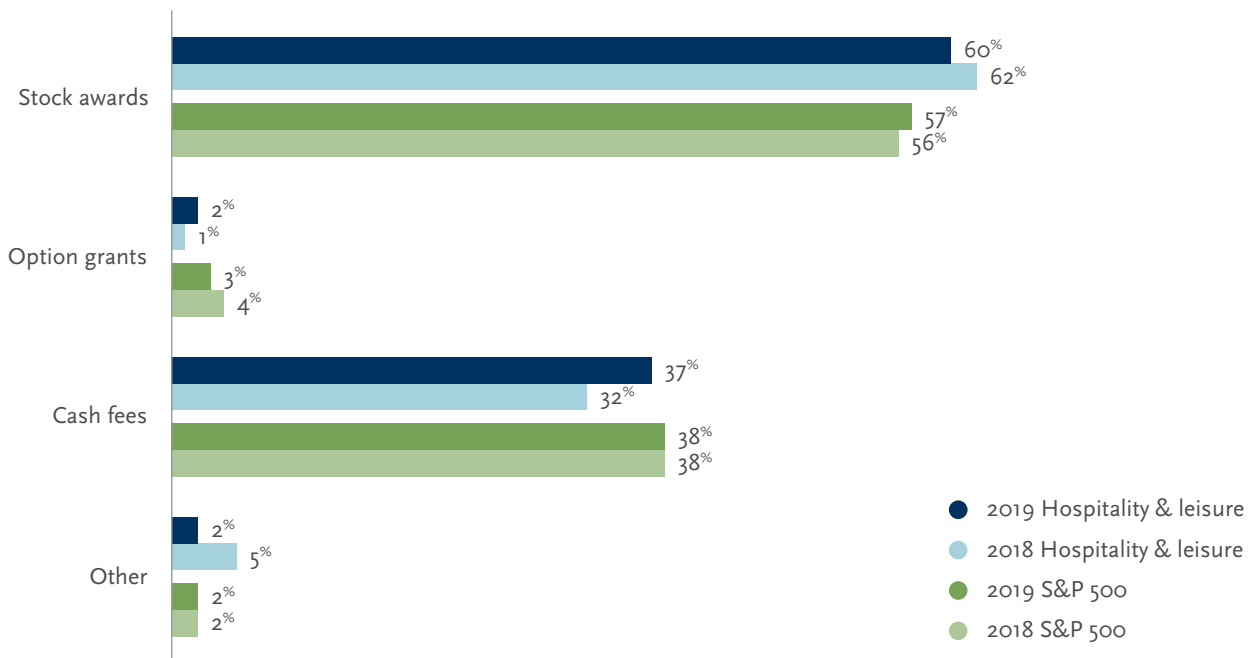
The total average per-director compensation for hospitality company directors is \$264,465, 13 percent less than the S&P 500 average of \$304,856. The average per director compensation ranges from \$152,335 to \$542,760, with three companies reporting average compensation of less than \$200,000.

Total Average Per Director Compensation Breakdown

	2019	2018
Less than \$200,000	10%	0%
\$200,000 to \$250,000	29%	35%
\$250,001 to \$300,000	32%	40%
\$300,001 to \$350,000	19%	10%
More than \$350,000	10%	15%

In 2019, 60% of directors' total compensation was provided in the form of stock awards. When looking at individual companies, stock grants represent as much as 100% of director compensation and as little as 0%. While all but one hospitality company provide board directors with stock grants, only two provide stock options. Cash compensation represents 37% of directors' total compensation, up from 32% in 2018.

Director Compensation Breakdown*



* Numbers may not add to 100% due to rounding



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