

2020 UK Spencer Stuart Board Index Highlights

Now in its 25th 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.

Diversity remains a top priority for boards

Calls for greater BAME representation on boards are starting to take effect, although this year's figures suggest that progress is slow. The proportion of BAME directors appointed in the period covered by this year's Board Index (1 May 2019-30 April 2020) is double what it was five years ago at 14%. Nevertheless, across all directors just 8% have BAME backgrounds.

Although fewer directors were appointed to the boards of the UK's top companies (203 vs 238 last year) there have been significant improvements in gender diversity:

- » For the second year in a row, the majority of newly appointed directors are women – 51%.
- » Women make up 34% of all directors and 46% of non-executives (excluding chairs), vs 30.5% and 42.67% respectively last year.
- » 10 boards have achieved gender parity.
- » 43% of newly appointed directors are non-UK nationals
- » 30% of all directors are non-UK nationals.

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

- » Just 13% of executive directors are women, albeit an increase on 8.3% the previous year.
- » 33% of female executive directors have a non-executive role elsewhere, compared with 24% of male executives.

14%

of newly appointed board directors have a BAME background

46%

of non-executive directors are women

13%

of executive directors are women

10

boards have achieved gender parity

22%
of ExCo members
are women

39%
of chairs do not have
another listed company
directorship

30%
of CEOs sit on
an outside listed
company board

29%
of boards have
an ESG-related
committee

First-time directors continue to have varied backgrounds.

- » 51% are women.
- » 17% come from BAME backgrounds
- » 27% are CEOs
- » 33% have financial services experience.

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.

- » 22% of ExCo members are women. Over four years there has been an increase of just four percentage points.
- » 52% of ExCos have two or more female members, well below the 2017 figure of 62%.
- » Nine companies have four or more women on their ExCo.
- » 9% of ExCos are all-male.
- » 21% of women on ExCos lead the HR function (down from 39% last year).
- » 28% of women on ExCos are either a CEO or divisional/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 number of chairs who sit on additional listed company boards continues to fall. This is a reflection of the growing demands and time commitment inherent in the role.

- » 39% of chairs have no other listed company directorship, up from 32% in 2019 and just 17% in 2008.

The general principle that executives should have no more than one external role continues to be reinforced. Significantly fewer senior executives are sitting on outside boards than in the past.

- » The proportion of CEOs with an outside directorship is now 30%, compared with 41% in 2010.
- » Just 28% of CFOs sit on an outside board compared with 41% in 2010.

Committees

There is a profusion of different types of board committee across the top 150 companies (details of each board's committees are available on the UK Board Index website).

- » The average tenure of CEOs in the top 150 listed companies is 5 years.
- » The average tenure of chairs has reduced to 4.5 years from 4.9 years in 2019.
- » Non-executive tenure remains 4.2 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 4.6 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 23% since 2010, from £334,000 to £411,406.
- » Average retainers for non-executive directors have increased by 24% to £69,606 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.

Workforce engagement

The UK Corporate Governance Code requires boards to consider key stakeholders in their discussions and decision-making.

- » 50% of boards have designated a non-executive director to be responsible for workforce engagement.
- » 7% of boards have created a workforce advisory panel.
- » No FTSE 150 company has yet chosen to appoint an employee as a board director.

56%

of remuneration
committee chairs
are women

£411,406

is the average
remuneration for
part-time chairs

£99,140

is the average total
remuneration for non-
executive directors

50%

of boards designated
a non-exec to handle
workforce engagement

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