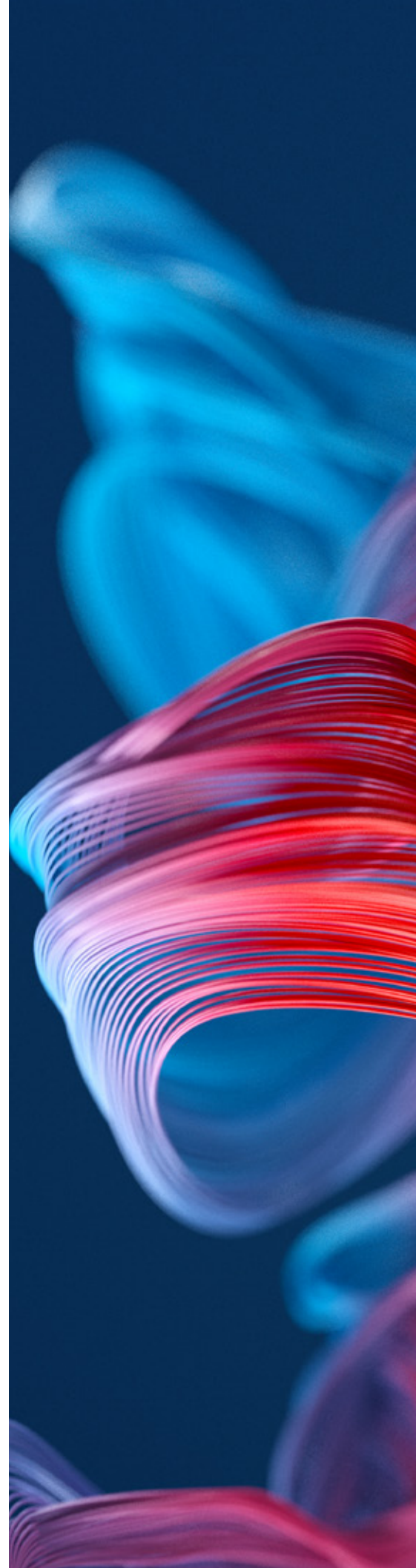


2020 Spencer Stuart Healthcare Sector Snapshot

Governance structures and practices of boards of healthcare companies in the S&P 500 index — a universe of 59 companies — are similar to S&P 500 boards.

- » The average age of independent directors on healthcare boards is 63.3, slightly higher than the S&P 500 average of 63.0.
- » The youngest average age of a healthcare board is 58.4 years and the oldest is 70.3.
- » Healthcare boards average 10.4 members, slightly below the 10.7 director average for S&P 500 company boards.
- » Independent directors represent 86% of all directors on healthcare boards, compared to the 85% average for the S&P 500 universe.
- » The average tenure of independent directors on healthcare boards is 8.0 years, just above the S&P 500 average of 7.9 years.
- » The longest-tenured healthcare board is 15.2 years.

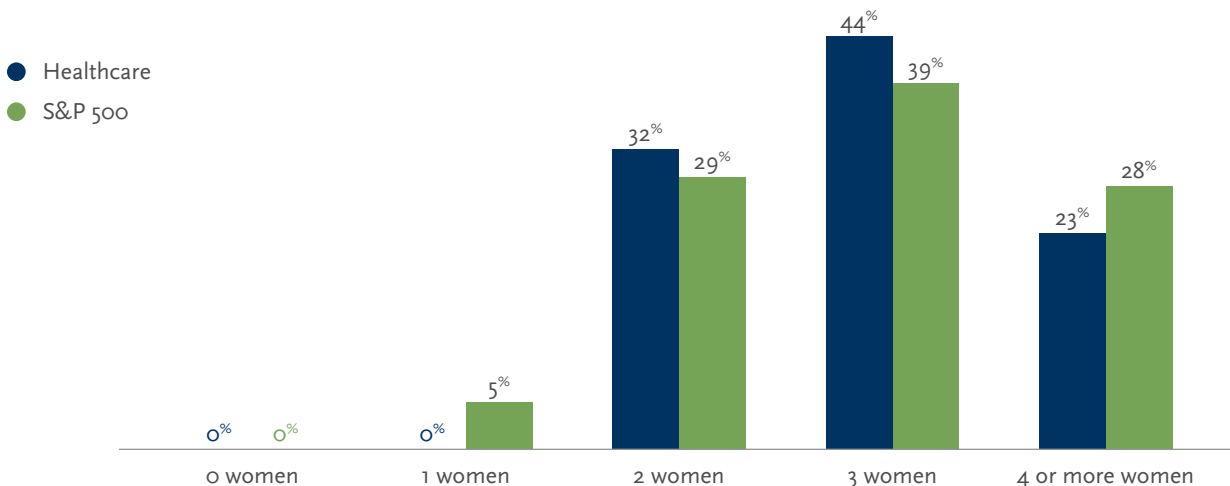


Diversity

Gender diversity of healthcare boards slightly outpaces the S&P 500 universe, with women representing 29% of all healthcare board members in 2020, compared to 28% of S&P 500 directors.

Every S&P 500 company has at least one female director. Ninety-five percent (95%) of the S&P 500 index have at least two female directors, and two-thirds (67%) of S&P 500 companies have three or more female directors. In contrast, all of the companies in the healthcare sector have at least two female directors, and, consistent with the S&P 500, two-thirds (67%) have three or more women. Thirteen S&P 500 boards are composed of at least 50% women; no healthcare boards are composed of at least 50% women.

Representation of Women Directors on Healthcare Boards



When it comes to race/ethnic diversity of the boardroom, 20% of the directors of the 25 healthcare companies in the top 200 companies are minorities (defined as Black/African American, Hispanic/Latinx and Asian), equal to the 20% average for the S&P 500 index. The diversity breakdown of healthcare is consistent with the S&P 500: 12% Black/African American (compared to 10% of S&P 500 directors); 4% Hispanic/Latinx (compared to 4% S&P 500); and 5% Asian (compared to 5% S&P 500). According to the U.S. Census Bureau, about 40% of the U.S. population is estimated to be a minority, including 18.5% Hispanic/Latinx, 13.4% Black/African American, 5.9% Asian.

New independent director backgrounds

Thirty-three healthcare companies — 56% of the surveyed group — added at least one director over the past year. Appointees averaged 57.6 years of age, in line with the 57.8 average for all independent directors joining S&P 500 boards. First-time directors represented 27% of directors joining healthcare boards in 2020 — slightly lower than the 28% overall average for the S&P 500.

Healthcare companies appear to be prioritizing gender diversity with their director appointments. Diverse directors constituted 63% of the 49 directors joining healthcare boards over the past year: 51% are women and 12% are minority men. In comparison 59% of directors joining the S&P 500 index are diverse, including 47% women and 12% minority men.

The healthcare sector also appears to be prioritizing active executives, with 65% of the incoming class actively employed, the highest percentage of all S&P 500 primary sectors. In contrast, 49% of the incoming class of independent directors joining S&P 500 boards are active executives.

In 2020, healthcare companies appointed the highest percentage of academics and “other” professionals of all S&P 500 primary sectors. Compared to the S&P 500 incoming class, fewer independent directors joining healthcare boards over the past year have executive experience (CEO, functional or divisional leadership) or financial experience. The percentage of the sector’s incoming class with financial backgrounds (18%) is the second lowest of all S&P 500 primary sectors. Most (88%) independent directors joining healthcare boards in 2020 are current or former CEOs (24%); finance management/CFO/treasurers (18%); others (18%); academics (16%); and functional unit heads (12%).

	2020 Healthcare	2020 S&P 500
CEOs	24%	29%
<i>Active</i>	14%	13%
<i>Retired</i>	10%	16%
Chairs/presidents/COOs	6%	6%
<i>Active</i>	2%	3%
<i>Retired</i>	4%	3%
Line and functional leaders	12%	16%
Division/subsidiary presidents	2%	7%
Finance/accounting executives	18%	27%
<i>Financial executives/CFOs/treasurers</i>	14%	14%
<i>Investment managers/investors</i>	0%	8%
<i>Bankers/investment bankers</i>	2%	4%
<i>Public accounting executives</i>	2%	1%
Academics/nonprofit executives	16%	3%
Consultants	2%	3%
Legal	0%	2%
<i>General counsel</i>	0%	2%
<i>Lawyers</i>	0%	0%
Others	18%	7%
<i>Government/military</i>	8%	5%
<i>Others</i>	10%	2%

Board leadership

Just over half (54%) of healthcare companies in the S&P 500 index separate the chair and CEO roles, slightly below the 55% average for the S&P 500 index. Independent chairs are in place at 39% of healthcare companies, slightly higher than the 34% of the S&P 500 index and the second highest of S&P primary sectors. Seventy-one percent (71%) of all healthcare companies have an independent lead or presiding director, versus 73% of the S&P 500.

Board organization and process

As detailed below, the healthcare sector's governance processes and structures generally closely mirror those of the S&P 500 index. One difference is the prevalence of mandatory retirement policies. While 70% of S&P 500 boards have adopted mandatory retirement policies, only 63% of healthcare sector companies have adopted age limits for directors. Another difference is director terms; 20% of healthcare companies have staggered, three-year terms for directors, the highest percentage of all S&P 500 primary sectors. In contrast, only 10% of all S&P 500 companies have classified boards.

	2020 Healthcare	2020 S&P 500
Classified board	20%	10%
Board meetings (avg #)	7.8	7.9
Board committees (avg #)	4.3	4.2
Audit committee		
<i>Size (avg #)</i>	4.1	4.4
<i>Meetings (avg #)</i>	9	8.2
Compensation committee		
<i>Size (avg #)</i>	4	4.3
<i>Meetings (avg #)</i>	6.1	5.9
Nominating/governance committee		
<i>Size (avg #)</i>	4.2	4.4
<i>Meetings (avg #)</i>	4.5	4.5
Mandatory retirement	63%	70%
Retirement age (avg)	73.8	73.6

Healthcare sector companies

Abbott Laboratories	DexCom	PerkinElmer
AbbVie	Edwards Lifesciences Corporation	Perrigo Company
ABIOMED	Eli Lilly & Company	Pfizer
Agilent Technologies	Gilead Sciences	Quest Diagnostics
Alexion Pharmaceuticals	HCA Healthcare	Regeneron Pharmaceuticals
Align Technology	Henry Schein	ResMed
AmerisourceBergen Corporation	Hologic	STERIS plc
Amgen	Humana	Stryker Corporation
Anthem	IDEXX Laboratories	Teleflex
Baxter International	Illumina	The Cooper Companies
Biogen Idec	Incyte Corporation	Thermo Fisher Scientific
Boston Scientific Corporation	Intuitive Surgical	UnitedHealth Group
Bristol-Myers Squibb Company	IQVIA Holdings	Universal Health Services
Cardinal Health	Johnson & Johnson	Varian Medical Systems
Centene Corporation	Laboratory Corporation of America Holdings	Vertex Pharmaceuticals
Cerner Corporation	McKesson Corporation	Waters Corporation
Cigna Corporation	Medtronic	Zimmer Biomet Holdings
CVS Health Corporation	Merck & Co.	Zoetis
Danaher Corporation	Mettler-Toledo International	
DaVita	Mylan N.V.	
Dentsply Sirona		

ABOUT SPENCER STUART

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 70 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 culture and organizational effectiveness. For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

