

2021 Spencer Stuart Healthcare Sector Snapshot

Governance structures and practices of boards of healthcare companies in the S&P 500 index — a universe of 60 companies — are similar to other S&P 500 boards

- » The average age of independent directors on healthcare boards is 63.5, just above the S&P 500 average of 63.0.
- » The youngest average age of a healthcare board is 55.8 years and the oldest is 71.3.
- » Healthcare boards average 10.4 members, below the 10.8 director average for S&P 500 company boards overall.
- » Independent directors represent 86% of all directors on healthcare boards, equal to the 86% 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 7.8 years.
- » The longest average tenure for a healthcare board is 16.8 years.

Editor's Note: The data in this report is taken from the 2021 *U.S. Spencer Stuart Board Index* which is based on our analysis of the most recent proxy reports from the S&P 500. The 2021 edition of the index draws on the latest DEF14A proxy statements from 493 companies filed with the SEC between May 28, 2020, and May 13, 2021. Data in tables and charts may not total 100% due to rounding.

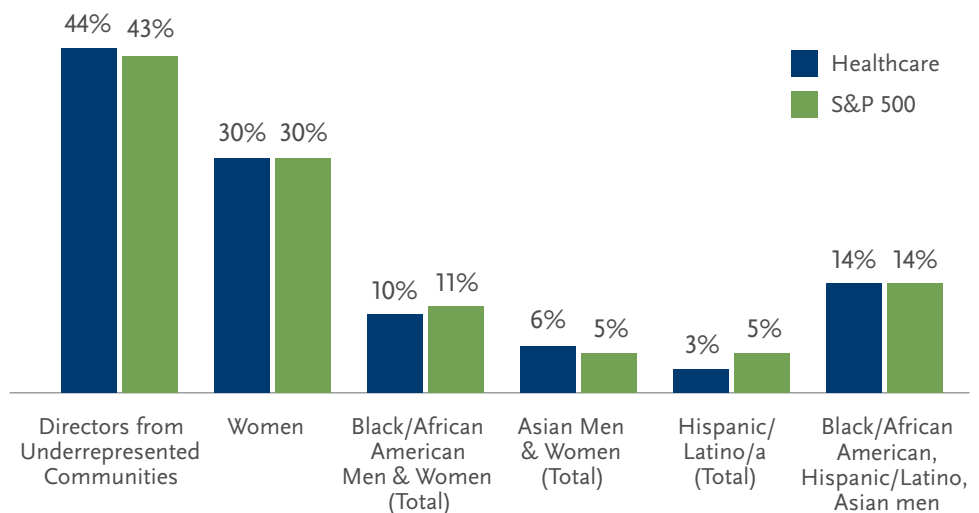
Diversity

The diversity of healthcare boards aligns with the S&P 500 universe, with directors from underrepresented communities (women, Black/African American, Hispanic/Latino and Asian men) constituting 44% of directors on healthcare boards, compared with 43% of S&P 500 boards. Women represent 30% of all healthcare board members in 2021, matching the 30% of S&P 500 directors. Healthcare is tied with the IT sector for having the lowest percentage of Hispanic/Latino/a directors (3% of sector) compared to other primary sectors.

Both the healthcare sector and the S&P 500 index fall short of reflecting U.S. demographics. According to the U.S. Census Bureau, 51% of the U.S. population are women and about 42% identify as Hispanic/Latino/a (18.5%), Black/African-American (13.4%), Asian (5.9%), American Indian or Alaskan native (1.3%), or multiracial (2.8%).

One-quarter (25%) of healthcare companies disclosed director-specific race/ethnicity details, compared to 28% of all S&P 500 companies. Forty-seven percent (47%) of the sector disclosed a commitment to including directors from underrepresented communities in searches for new directors, higher than the 39% average of S&P 500 companies.

DIVERSITY OF HEALTHCARE BOARDS



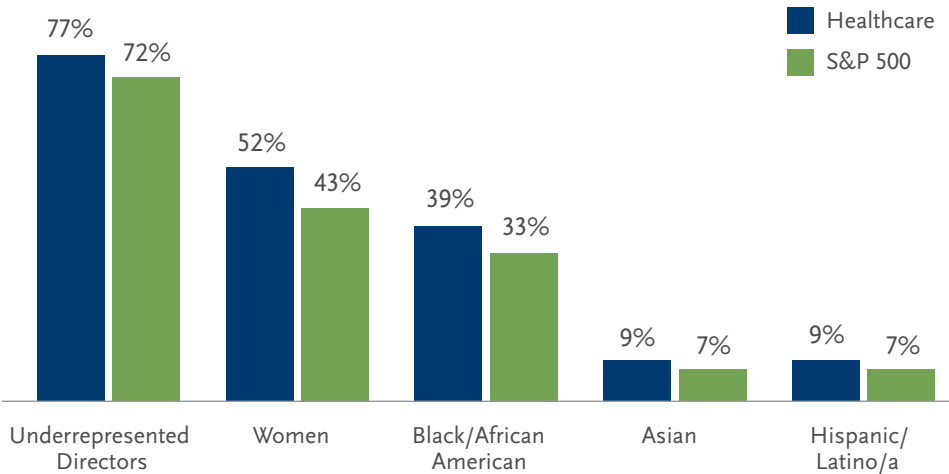
Nine healthcare boards (15% of the sector) have no Black/African American, Hispanic/Latino/a or Asian directors. In contrast, 37 (8%) of S&P 500 boards have no Black/African American, Hispanic/Latino/a or Asian directors. Ninety-six percent (96%) of the S&P 500 index have at least two female directors, and two thirds (72%) of S&P 500 boards have three or more female directors. In contrast, 75% of healthcare boards have three or more women directors. Sixteen S&P 500 boards are composed of at least 50% women; no healthcare boards are at least 50% women.

New independent director backgrounds

Thirty-one companies — 52% of the surveyed S&P 500 healthcare companies — added at least one independent director over the past year. Appointees averaged 58.7 years of age, a year older than the 57.5 average for all independent directors joining S&P 500 boards. First-time directors represented 32% of independent directors joining healthcare boards in 2021, lower than the 35% overall average for the S&P 500.

Directors from underrepresented communities constituted 77% of the 44 directors joining healthcare boards over the past year, higher than the 72% of directors joining S&P 500 boards. Healthcare boards added the highest percentage of females of all primary sectors.

DIVERSITY OF INDEPENDENT DIRECTORS JOINING HEALTHCARE BOARDS



Fifty-five percent (55%) of the independent directors joining healthcare boards are actively employed, just shy of the 56% of independent directors joining S&P 500 boards overall. In 2021, healthcare companies appointed the highest percentage of “other” professionals of all sectors. Compared to the S&P 500 incoming class, fewer independent directors joining healthcare boards had financial or executive leadership (CEO, functional or divisional) experience. The percentage of the sector’s incoming class with CEO backgrounds (14%) is the second lowest of all S&P 500 primary sectors.

NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

	2021 Healthcare	2021 S&P 500
CEOs	14%	22%
<i>Active</i>	11%	12%
<i>Retired</i>	2%	10%
Chairs/presidents/COOs	5%	4%
<i>Active</i>	2%	2%
<i>Retired</i>	2%	2%
Line/functional leaders	20%	21%
Division/subsidiary leaders	9%	12%
Finance/accounting executives	23%	27%
<i>Financial executives/CFOs/treasurers</i>	16%	13%
<i>Investment managers/investors</i>	7%	8%
<i>Bankers/investment bankers</i>	0%	3%
<i>Public accounting executives</i>	0%	3%
Academics/nonprofit executives	7%	4%
Consultants	2%	1%
Legal	2%	4%
Others	18%	5%

Board leadership

Just over half of healthcare companies (53%) separate the chair and CEO roles, below the 59% average for the S&P 500 index. Independent chairs are in place at 37% of healthcare companies, matching the 37% of the S&P 500. Seventy-two percent (72%) of all healthcare companies have an independent lead or presiding director versus 70% of the S&P 500.

Board organization and process

As detailed below, the healthcare sector's governance processes and structures are generally aligned with the S&P 500 index. One difference is director terms: 22% 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 S&P 500 companies have classified boards.

BOARD ORGANIZATION AND PROCESS

	2021 Healthcare	2021 S&P 500
Classified board	22%	10%
Board meetings (avg #)	8.7	9.4
Board committees (avg #)	4.2	4.2
Audit committee		
<i>Size (avg #)</i>	4.0	4.5
<i>Meetings (avg #)</i>	9.1	8.4
Compensation committee		
<i>Size (avg #)</i>	4.0	4.3
<i>Meetings (avg #)</i>	5.9	6.2
Nominating/governance committee		
<i>Size (avg #)</i>	4.2	4.4
<i>Meetings (avg #)</i>	4.7	4.7
Mandatory retirement	65%	70%
Retirement age (avg)	73.8	73.7

Healthcare Sector Companies

Abbott Laboratories

AbbVie

ABIOMED

Agilent Technologies

Align Technology

AmerisourceBergen Corporation

Amgen

Anthem

Baxter International

Becton, Dickinson and Company

Bio-Rad Laboratories

Biogen Idec

Boston Scientific Corporation

Bristol-Myers Squibb Company

Cardinal Health

Catalent

Centene Corporation

Cerner Corporation

Cigna Corporation

CVS Health Corporation

Danaher Corporation

DaVita

Dentsply Sirona

DexCom

Edwards Lifesciences Corporation

Eli Lilly & Company

Gilead Sciences

HCA Healthcare

Henry Schein

Hologic

Humana

IDEXX Laboratories

Illumina

Incyte Corporation

Intuitive Surgical

IQVIA Holdings

Johnson & Johnson

Laboratory Corporation of America Holdings

McKesson Corporation

Medtronic

Merck & Co.

Mettler-Toledo International

PerkinElmer

Perrigo Company

Pfizer

Quest Diagnostics

Regeneron Pharmaceuticals

ResMed

STERIS plc

Stryker Corporation

Teleflex

The Cooper Companies

Thermo Fisher Scientific

UnitedHealth Group

Universal Health Services

Vertex Pharmaceuticals

Waters Corporation

West Pharmaceutical Services

Zimmer Biomet Holdings

Zoetis



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 non-profit 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.



© 2021 Spencer Stuart. All rights reserved.
For information about copying, distributing and displaying this work,
contact: permissions@spencerstuart.com.