

2021 Spencer Stuart Industrials Sector Snapshot



In many respects, boards of industrial companies in the S&P 500 index — defined as the 101 companies in the materials and industrials primary sectors — are similar to the rest of the S&P 500 universe.

- » The average age of independent directors on industrial boards is 63.1 years, compared to 63.0 years for S&P 500 boards in general.
- » The youngest industrial board averages 54 years of age; the oldest, 72.
- » Industrial boards average 10.7 directors, compared to 10.8 members on S&P 500 boards.
- » Independence of industrial boards averages 87%, compared to 86% for S&P 500 boards.
- » The average board tenure of independent directors on industrial boards is 7.5 years, shy of the 7.8 year average for the S&P 500 index.
- » The longest-tenured industrial board averages 14 years of board service.

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.

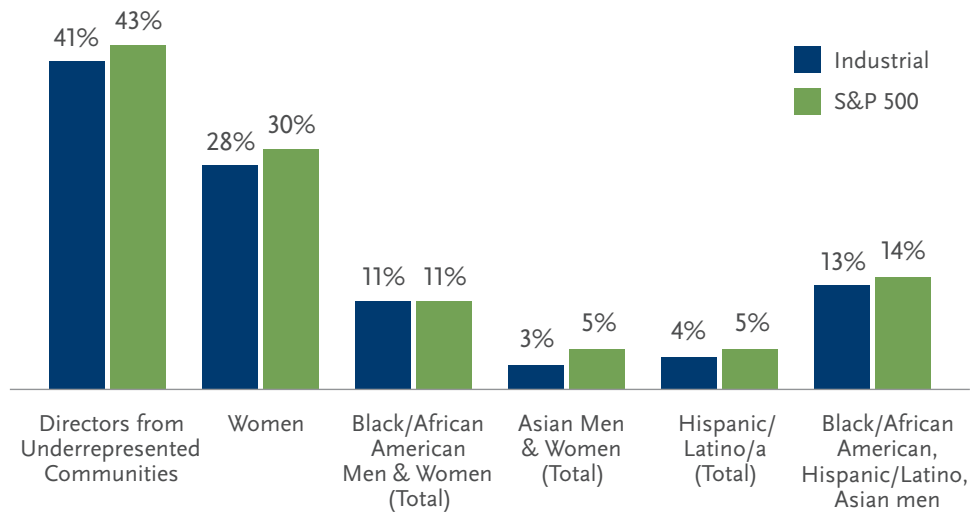
Diversity

The diversity of industrial boards lags behind the S&P 500 universe, with directors from underrepresented communities (women, Black/African American, Hispanic/Latino and Asian men) representing 41% of directors on industrial boards, compared to 43% of S&P 500 boards overall. Women represent 28% of all industrial board members in 2021, compared to 30% of S&P 500 directors, and tied with the communication services sector for having the second-lowest gender diversity of all primary sectors.

Both the industrial 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%).

Twenty-nine percent (29%) of industrial companies disclosed director-specific race/ethnicity details, compared to 28% of all S&P 500 companies. Thirty-nine percent (39%) of industrial sector companies disclosed a commitment to including directors from underrepresented communities in searches for new directors, matching the 39% average of S&P 500 companies.

DIVERSITY OF INDUSTRIAL BOARDS



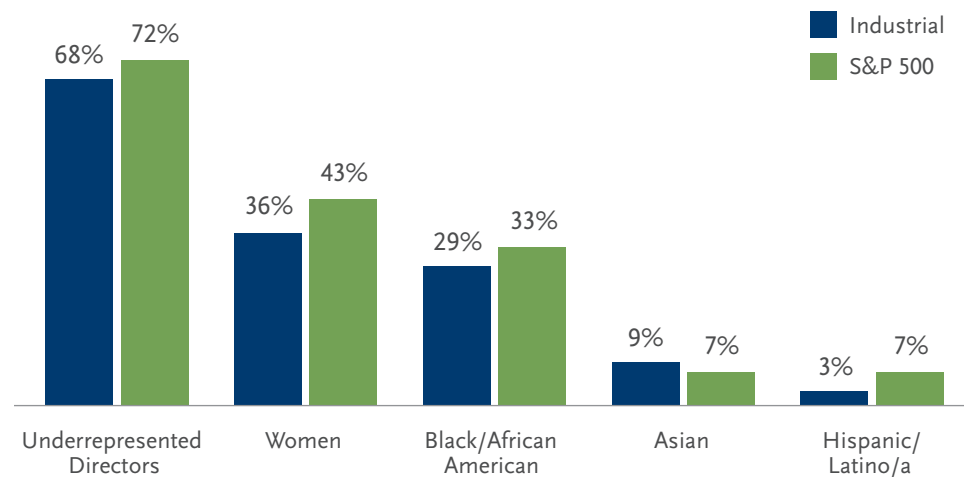
Six industrial boards (6% of the sector) have no Black/African American, Hispanic/Latino/a or Asian directors. In contrast, 37 (8%) S&P 500 boards have no Black/African American, Hispanic/Latino/a or Asian directors. All industrial boards have at least one woman. Ninety-six percent (96%) of the S&P 500 index have at least two female directors, and more than two-thirds (72%) have three or more female directors. In contrast, 66% of industrial boards have three or more women directors. Sixteen S&P 500 boards are composed of at least 50% women, including two industrial boards.

New independent director backgrounds

Sixty-three companies — 62% of the surveyed S&P 500 industrial companies — added at least one independent director over the past year. Appointees averaged 58.9 years of age, one year older than the 57.5 average for all independent directors joining S&P 500 boards. First-time directors represented 37% of independent directors joining industrial boards, compared to a 35% overall average for the S&P 500.

Directors from underrepresented communities constitute 68% of the 115 independent directors joining industrial boards over the past year, compared to 72% of directors joining S&P 500 boards. Industrial boards appointed the lowest percentage of women (36% of the sector’s incoming class of independent directors) of all sectors.

DIVERSITY OF INDEPENDENT DIRECTORS JOINING INDUSTRIAL BOARDS



Just under half (49%) of the independent directors joining industrial boards are actively employed, compared to 56% of independent directors joining S&P 500 boards. Industrial boards appointed the highest percentage of division/subsidiary leaders and the second highest of accountants of all sectors.

NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

	2021 Industrials	2021 S&P 500
CEOs	23%	22%
<i>Active</i>	11%	12%
<i>Retired</i>	12%	10%
Chairs/presidents/COOs	3%	4%
<i>Active</i>	1%	2%
<i>Retired</i>	3%	2%
Line/functional leaders	14%	21%
Division/subsidiary leaders	19%	12%
Finance/accounting executives	28%	27%
<i>Financial executives/CFOs/treasurers</i>	14%	13%
<i>Investment managers/investors</i>	3%	8%
<i>Bankers/investment bankers</i>	2%	3%
<i>Public accounting executives</i>	9%	3%
Academics/nonprofit executives	3%	4%
Consultants	1%	1%
Legal	3%	4%
Others	6%	5%

Board leadership

The chair and CEO roles are separated at 50% of industrial boards — below the 59% average for the S&P 500 index as a whole. Executive chairs are in place at 15% of industrial boards, matching the 15% for the S&P 500. Independent directors chair 33% of industrial boards (compared to 37% of the S&P 500), while 71% of industrial boards have an independent lead director (compared to 70% of the S&P 500).

Board organization and process

Compared to the S&P 500 index overall, industrial boards and their committees tend to meet less frequently than the S&P 500 average.

BOARD ORGANIZATION AND PROCESS

	2021 Industrials	2021 S&P 500
Classified board	13%	10%
Board meetings (avg #)	8.2	9.4
Board committees (avg #)	4.1	4.2
Audit committee		
<i>Size (avg #)</i>	4.7	4.5
<i>Meetings (avg #)</i>	7.6	8.4
Compensation committee		
<i>Size (avg #)</i>	4.7	4.3
<i>Meetings (avg #)</i>	5.8	6.2
Nominating/governance committee		
<i>Size (avg #)</i>	4.8	4.4
<i>Meetings (avg #)</i>	4.5	4.7
Mandatory retirement	85%	70%
Retirement age (avg)	73.9	73.7

Industrial Sector Companies

3M Company	Fortune Brands Home & Security	Pentair plc
A. O. Smith Corporation	Freeport-McMoRan	PPG Industries
Air Products & Chemicals	Generac Holdings	Quanta Services
Alaska Air Group	General Dynamics Corporation	Raytheon Technologies Corporation
Albemarle Corporation	General Electric Company	Republic Services
Allegion Public Limited Company	Honeywell International	Robert Half International
Amcor	Howmet Aerospace	Rockwell Automation
American Airlines Group	Huntington Ingalls Industries	Rollins
AMETEK	IDEX Corporation	Roper Technologies
Avery Dennison Corporation	IHS Markit	Sealed Air Corporation
Ball Corporation	Illinois Tool Works	Snap-on
C.H. Robinson Worldwide	Ingersoll-Rand	Southwest Airlines Co.
Carrier Global Corporation	International Flavors & Fragrances	Stanley Black & Decker
Caterpillar	International Paper Company	Teledyne Technologies
Celanese Corporation	J.B. Hunt Transport Services	Textron
Cintas Corporation	Jacobs Engineering Group	The Boeing Company
Copart	Johnson Controls International	The Mosaic Company
Corteva	Kansas City Southern	The Sherwin-Williams Company
CSX Corporation	L3Harris Technologies	Trane Technologies
Cummins	Leidos Holdings	TransDigm Group
Deere & Company	Linde plc	Union Pacific Corporation
Delta Air Lines	Lockheed Martin Corporation	United Airlines Holdings
Dover Corporation	LyondellBasell Industries N.V.	United Parcel Service
Dow	Martin Marietta Materials	United Rentals
DuPont de Nemours	Masco Corporation	Verisk Analytics
Eastman Chemical Company	Newmont Corporation	Vulcan Materials
Eaton Corporation	Nielsen Holdings plc	W.W. Grainger
Ecolab	Norfolk Southern Corporation	Waste Management
Emerson Electric Company	Northrop Grumman Corporation	Westinghouse Air Brake Technologies Corporation
Equifax	Nucor Corporation	WestRock Company
Expeditors International of Washington	Old Dominion Freight Line	Xylem
Fastenal Company	Otis Worldwide Corporation	
FedEx Corporation	PACCAR	
FMC Corporation	Packaging Corporation of America	
Fortive Corporation	Parker-Hannifin Corporation	



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