

2022 Spencer Stuart Healthcare Sector Snapshot

The boards of the 65 healthcare companies in the S&P 500 index tend to be slightly older and significantly higher paid than in other sectors.

- » Directors' average compensation is **\$349,349**, significantly higher than the \$316,091 average for S&P 500 boards overall.¹
- » These boards are composed of an average of **10.4** directors, slightly smaller than the overall S&P 500 average of 10.8.
- » Their directors' average tenure is **7.9** years, slightly longer than the S&P 500 average of 7.8.
- » With an average age of **63.7** years, healthcare boards are older than the S&P 500 average of 63.1. They have a maximum average age of **70** and a maximum average tenure of **17.2** years.
- » The healthcare sector is slightly more likely to implement a mandatory retirement age: **71%** of healthcare boards have this compared with the S&P 500 average of 70%.
- » The average mandated retirement age for directors of healthcare firms is **74.1**, which is older than the total S&P 500 average of 73.8.
- » Independence of healthcare boards averages **86%**, the same as the average for S&P 500 boards overall.

¹ This is average compensation excluding chair pay. The average compensation including chair pay is \$357,176 for healthcare firms, and \$322,015 for S&P 500 firms overall.

Diversity

The diversity of healthcare boards is equal to or slightly below the average of other sectors in the S&P 500 universe. Just over a third of healthcare boards (35%) have disclosed director-specific race or ethnicity details, compared with 39% of the S&P 500.

The healthcare sector performs slightly below average for directors from historically underrepresented groups (directors who are female, from underrepresented racial or ethnic groups, and/or are LGBTQ+). These directors account for 45% of healthcare boards, compared with 46% of the S&P 500.

Directors from underrepresented racial or ethnic groups (defined as Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races) constitute 22% of healthcare boards, the same proportion as the overall S&P 500.

Our research shows Black or African American men and women represent 10% of healthcare directors, below the S&P 500 total of 11% as well as their 13.4% proportion of the U.S. population (according to U.S. Census Bureau data).

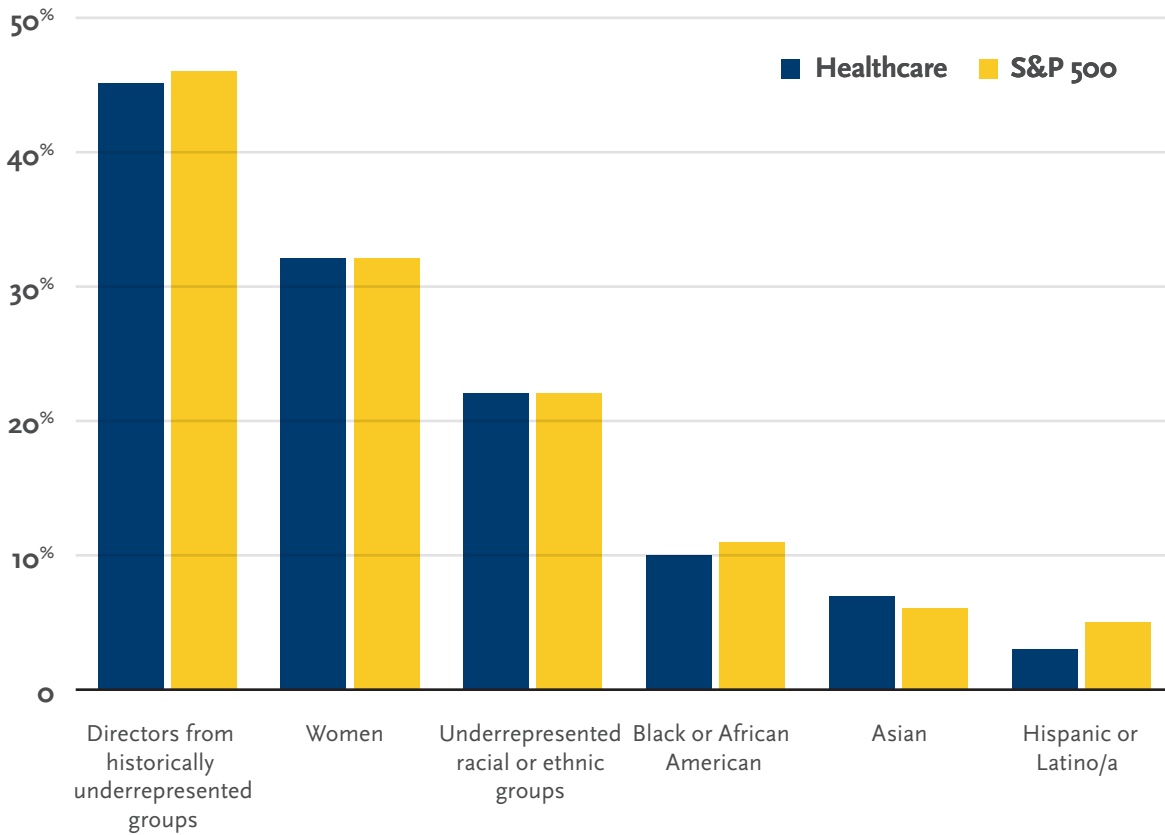
People from Hispanic or Latino/a backgrounds account for 3% of directors in this sector, lower than the S&P 500 total of 5% as well as their proportion of the U.S. population (18.5%, according to the U.S. Census Bureau).

The representation of Asian men and women is slightly better, with these directors representing 7% of healthcare directors, compared with 6% of the S&P 500 and 5.9% of the overall population.

A third (32%) of healthcare directors are women, consistent with the overall S&P 500 total. All boards in this sector have at least two female directors, and 80% have three or more.

The majority of healthcare boards (60%) have adopted a policy like the Rooney Rule, requiring boards to include individuals from underrepresented groups in the candidate pool when recruiting new directors. Overall, 50% of the S&P 500 have this initiative in place.

DIVERSITY OF HEALTHCARE SECTOR BOARDS



36%
of new independent directors in the healthcare sector are women

New independent director backgrounds

A total of 395 independent directors joined S&P 500 boards in the past year, and the healthcare sector accounts for 44 of these. Few were new to the role of director, with only 27% joining the board as first-time directors. This is lower than the 34% of the incoming S&P 500 class.

With a typical age of 57.6 years, these new directors were slightly older than the S&P 500 new director average of 57.3, with only 14% aged 50 or younger, compared with 18% of directors joining S&P 500 boards. Just over one in 2.5 (41%) were retired, compared with 44% of the S&P 500 incoming class.

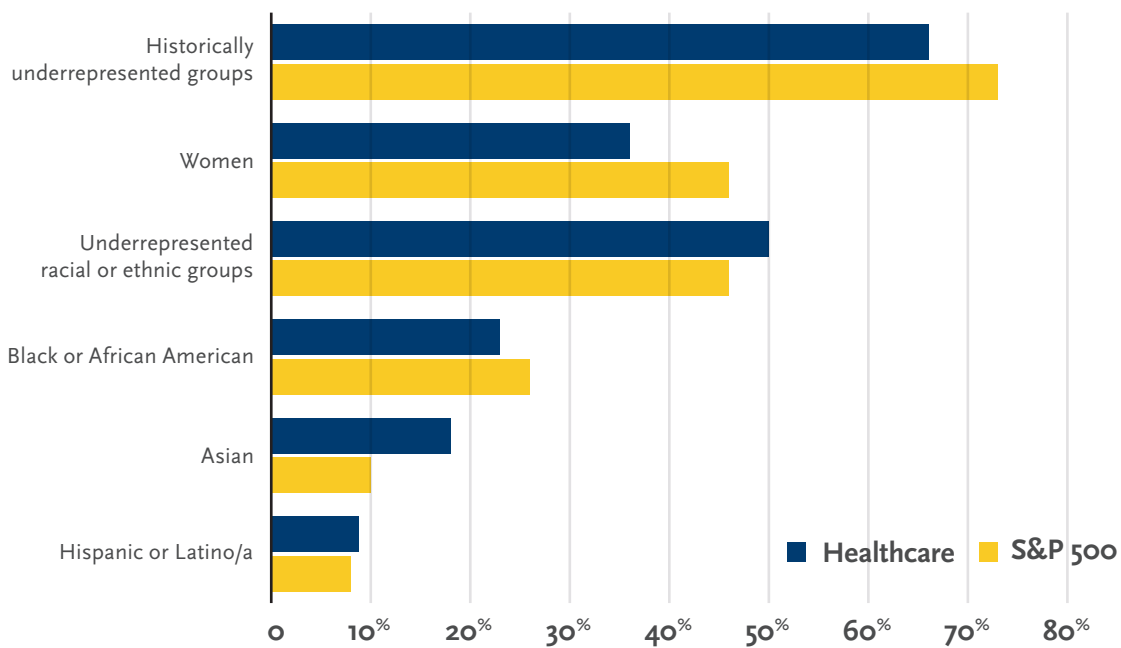
Sixty-six percent of new directors come from historically underrepresented groups, lower than the overall average of 72%. However, directors from underrepresented racial or ethnic groups account for 50% of this incoming class, putting the sector above the overall S&P 500 total of 46%.

Only 36% of new healthcare directors are women, significantly lower than the average of 46% and the lowest figure of any sector in the S&P 500. Healthcare also lagged for new Black or African American directors, who account for 23% of newcomers compared with 26% of the S&P 500 incoming class.

However, a proportionally higher number of new healthcare directors come from Asian and Hispanic backgrounds. Hispanic or Latino/a men and women account for 9% of new recruits, compared with the 8% of the S&P 500 incoming class, while Asian men and women account for 18%, the second-highest figure after the communication services sector.

Of new directors joining healthcare boards, 18% were retired CEOs, higher than the S&P 500 total of 11% and higher than all other sectors, except energy.

DIVERSITY OF NEW INDEPENDENT DIRECTORS JOINING HEALTHCARE SECTOR BOARDS



NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

	Healthcare sector	S&P 500 overall
CEOs	25%	23%
<i>Active</i>	7%	12%
<i>Retired</i>	18%	11%
Chairs/presidents/COOs	2%	3%
<i>Active</i>	0%	2%
<i>Retired</i>	2%	1%
Line/functional leaders	23%	20%
Division/subsidiary leaders	7%	13%
Finance/accounting executives	20%	22%
<i>Financial executives/CFOs/treasurers</i>	14%	12%
<i>Investment managers/investors</i>	2%	6%
<i>Bankers/investment bankers</i>	5%	4%
<i>Public accounting executives</i>	0%	1%
Academics/nonprofit executives	5%	4%
Consultants	0%	2%
Legal	5%	5%
Others	14%	7%

Board leadership

Just under half of healthcare CEOs also chair the board of directors, with 52% of companies in this sector separating the roles of chair and CEO. This is lower than the S&P 500 proportion of separate chair/CEO roles (57%).

More than two-thirds (68%) have a lead director, equal to the S&P 500 total of 68%. Among these lead directors, 16% are female and 7% are from underrepresented racial or ethnic groups, compared with the overall S&P 500 totals of 14% and 10%, respectively.

Healthcare companies have proportionally fewer executive chairs, with only 9% appointing one, compared with the 15% of S&P 500 boards. However, boards in the healthcare sector are slightly more likely to have an independent chair, with 37% choosing to elect one compared with 36% of S&P 500 boards.

Of the independent chairs that are elected in the sector, 13% are female, slightly lower than the S&P 500 total of 14%. However, 17% of chairs come from underrepresented racial or ethnic groups, significantly higher than the S&P 500 overall total of 9%.

Board organization and processes

Boards in the healthcare sector typically average 10.4 members, making them slightly smaller than the S&P 500 average of 10.8. Its boards also meet slightly less frequently than those of other sectors, averaging 8.2 meetings per year while others average 8.3.

In addition to audit, compensation and nominating/governance committees, healthcare boards are the most likely to have a technology committee, with 38% of firms establishing these compared with the average of 15%.

Six percent of healthcare boards also have a risk committee; 18% have an executive committee; and 28% have a finance committee.

BOARD ORGANIZATION AND PROCESS

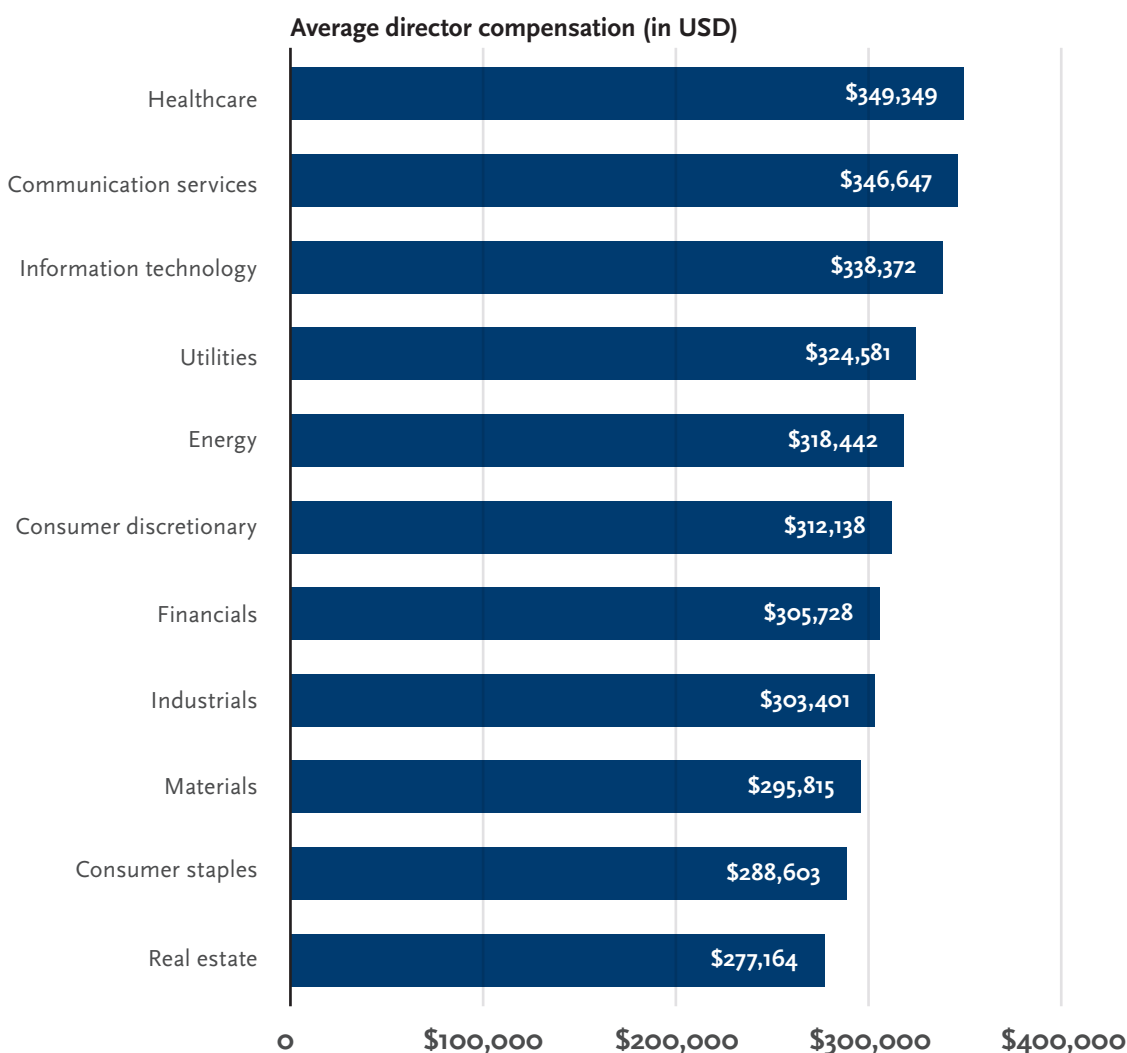
	2022 Healthcare	2022 S&P 500
Classified board	18.5%	11.2%
Board meetings (avg #)	8.2	8.3
Board committees (avg #)	4.4	4.2
Audit committee		
<i>Size (avg #)</i>	4.2	4.4
<i>Meetings (avg #)</i>	8.4	8.2
Compensation committee		
<i>Size (avg #)</i>	4.0	4.3
<i>Meetings (avg #)</i>	6.0	6
Nominating/governance committee		
<i>Size (avg #)</i>	4.3	4.5
<i>Meetings (avg #)</i>	4.8	4.7
Mandatory retirement	71%	70%
Retirement age (avg)	74.1	73.8

Compensation

The average compensation of directors on healthcare sector boards is \$349,349, significantly higher than the \$316,091 average for S&P 500 boards overall.²

Compared with the S&P 500 average, directors on healthcare sector boards receive a lower percentage of their compensation in cash (31% vs 37%) and a higher percentage in stock option grants (10% vs 5%). The percentage of compensation paid as stock awards is 56%, the same as the S&P 500 average.

AVERAGE DIRECTOR COMPENSATION



² Excluding independent chair's fee. Average compensation including independent chair's fee for healthcare boards is \$357,176.

List of healthcare sector companies

- » Abbott Laboratories
- » AbbVie
- » Abiomed
- » Agilent Technologies
- » Align Technology
- » Amgen
- » AmerisourceBergen Corporation
- » Anthem
- » Baxter International
- » Becton, Dickinson and Company
- » Biogen Idec
- » Bio-Rad Laboratories
- » Bio-Techne Corporation
- » Boston Scientific Corporation
- » Bristol Myers Squibb
- » Cardinal Health
- » Catalent
- » Centene Corporation
- » Cerner Corporation
- » Charles River Laboratories International
- » Cigna Corporation
- » The Cooper Companies
- » CVS Health Corporation
- » Gilead Sciences
- » Danaher Corporation
- » DaVita
- » Dentsply Sirona
- » HCA Healthcare
- » Henry Schein
- » Dexcom
- » Humana
- » Hologic
- » Edwards Lifesciences Corporation
- » Eli Lilly and Company
- » IDEXX Laboratories
- » Incyte Corporation
- » Illumina
- » Intuitive Surgical
- » IQVIA Holdings
- » Johnson & Johnson
- » Laboratory Corporation of America Holdings
- » McKesson Corporation
- » Medtronic
- » Merck & Co.
- » Mettler Toledo International
- » Moderna
- » Molina Healthcare
- » Organon & Co.
- » PerkinElmer
- » Pfizer
- » Quest Diagnostics
- » Regeneron Pharmaceuticals
- » ResMed
- » STERIS plc
- » Stryker Corporation
- » Teleflex
- » Thermo Fisher Scientific
- » UnitedHealth Group
- » Universal Health Services
- » Vertex Pharmaceuticals
- » Viatris
- » Waters Corporation
- » West Pharmaceutical Services
- » Zimmer Biomet Holdings
- » Zoetis

Editor's note

This data draws on the latest proxy statements from 489 companies filed between May 1, 2021 and April 30, 2022.

“Historically underrepresented groups” is defined to mean an individual who self-identifies in one or more of the following categories: i) women ii) underrepresented racial or ethnic groups iii) LGBTQ+ *when disclosed*.

- » “Underrepresented racial or ethnic groups” is defined to mean an individual who self-identifies as one or more of the following: Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races (multiracial).
- » The Asian category includes individuals of Indian descent, consistent with U.S. Census Bureau methodology.
- » LGBTQ+ is defined to mean an individual who self-identifies as any of the following: lesbian, gay, bisexual, transgender, or as a member of the queer community.

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Data in tables may not total 100% due to rounding.

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