

2022 Spencer Stuart Industrials Sector Snapshot

Boards of industrials sector companies in the S&P 500 — a universe of 98 companies — tend to be less diverse and lower paid than other sectors.

- » Industrials boards average **10.8** members, identical to the average for S&P 500 company boards.
- » The average age of independent directors on industrials boards is **63**, aligned with the S&P 500 average of 63.1. The average age of the oldest board in this sector is 71.9.
- » Independent directors represent **87%** of all directors on industrials company boards, slightly above the 86% average for the S&P 500 universe.
- » The average tenure of independent directors on industrials boards is **7.3** years, less than the S&P 500 average of 7.8 years.
- » The longest-tenured industrials board is **13.1** years.
- » Eighty-six percent of industrials boards have a mandatory retirement age, higher than S&P 500 boards overall.
- » The average mandated retirement age for directors in this sector is **73.9**, slightly higher than the S&P 500 average.
- » These boards' average compensation is **\$301,234**, lower than the \$316,091 average for S&P 500 boards.¹

¹ This is average compensation excluding chair pay.

Diversity

Industrials boards are slightly less diverse than the S&P 500 universe. Directors from historically underrepresented groups (defined as individuals who self-identify in one or more of the following categories: women, underrepresented racial or ethnic groups or the LGBTQ+ community) make up 44% of directors on industrials boards, compared with 46% of S&P 500 boards.

Women represent 30% of all industrials board members in 2022, compared with 32% of S&P 500 directors overall. Both the industrials 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.

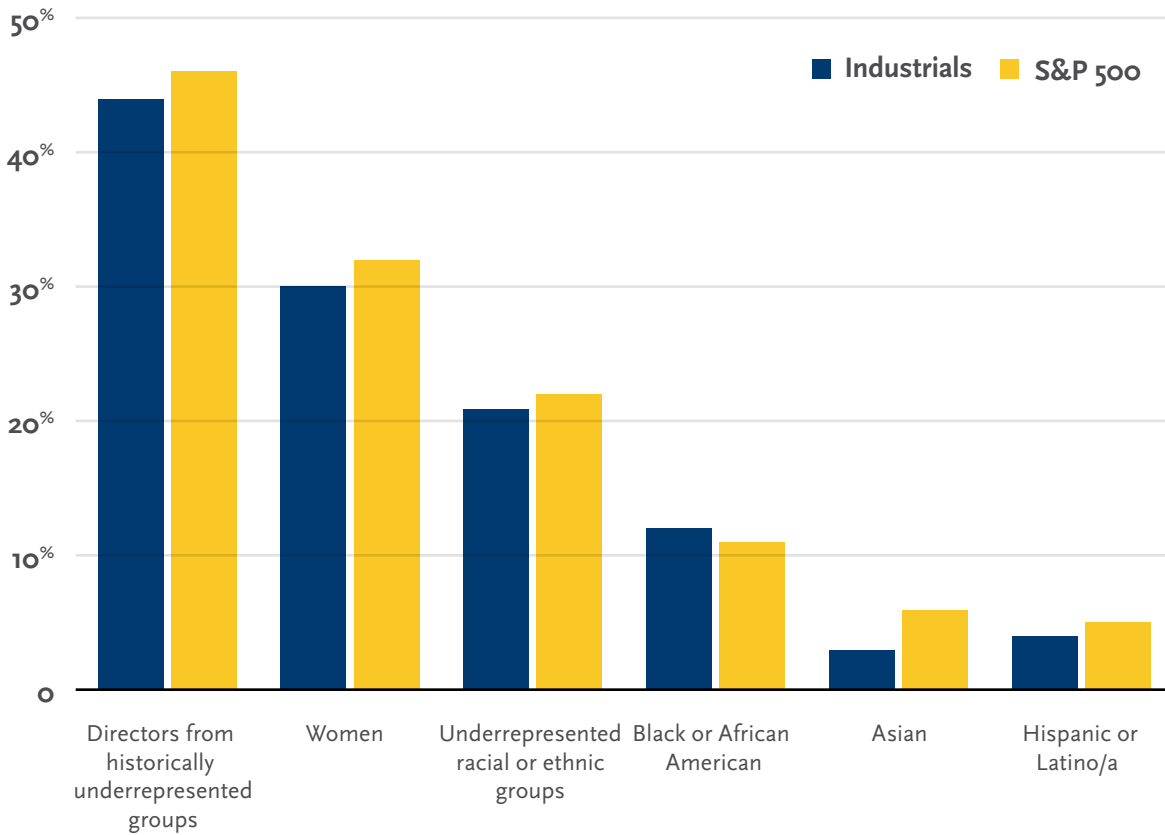
Directors belonging to underrepresented racial or ethnic groups (defined as Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races) make up 21% of industrials boards, lower than the average of 22% across all the S&P 500.

The industrials sector has a higher percentage of Black or African American directors (12%) than the S&P 500 universe (11%). However, this sector falls below the S&P 500 overall for its proportion of Hispanic or Latino/a directors (4% vs 5%) and Asian directors (3% vs 6%). All are less than in the U.S. as a whole, with Black or African American individuals representing 13.4% of the population, Hispanic or Latino/a individuals representing 18.5% and Asian individuals representing 5.9%.

Industrials boards that have two or more Black or African American, Hispanic or Latino/a or Asian directors total 73%, less than the 75% of S&P 500 boards overall. Nearly the entire S&P 500 index has at least two women directors (98%) and 81% have three or more women directors. The industrials sector is aligned with the S&P 500, as 98% of boards have at least two women directors and 80% have three or more.

Over a third (35%) of industrials boards disclose director-specific race or ethnicity details, compared with 39% of all S&P 500 boards. Over half (56%) disclose a commitment to adopt a Rooney Rule-like policy, which requires boards to include individuals from underrepresented groups in the candidate pool when recruiting new directors. This is higher than the 50% total of S&P 500 boards.

DIVERSITY OF INDUSTRIALS SECTOR BOARDS



New independent director backgrounds

A total of 395 new independent directors joined S&P 500 boards in the past year, down from 456 in 2021. The industrials sector accounts for 81 of these directors, or 21% of all new S&P 500 independent directors.

These new independent directors had an average age of 58 years, slightly older than the overall average of 57.3 years. Few were new to the role of director, with 38% joining the board as first-time directors. However, this is higher than the overall S&P 500 proportion (34%).

The majority of new directors are from historically underrepresented groups (67%), lower than the S&P 500 total of 72%. Industrials boards recruited a lower-than-average number of new directors from Asian and Hispanic or Latino/a backgrounds (7% and 6%, respectively, compared with 10% and 8% for the S&P 500 overall). However, 26% are Black or African American, equal to the overall S&P 500 proportion.

Most new directors in the industrials sector are men, and 46% are women. This is identical to the S&P 500 index overall.

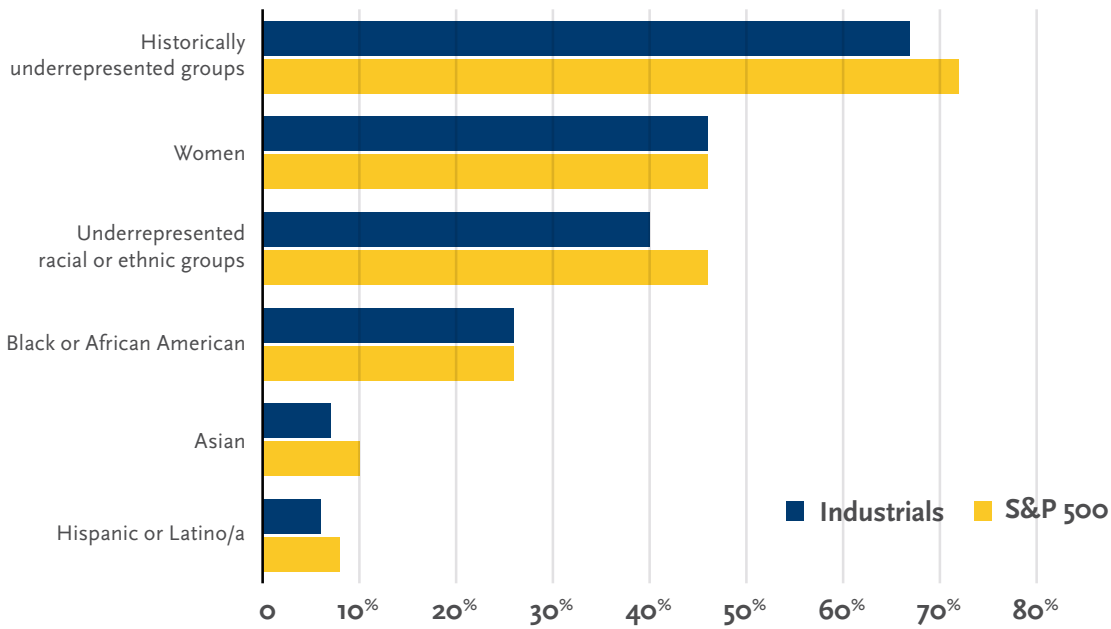
46%

of new independent directors in the industrials sector are women

Of this incoming class, 15% are next-gen directors (aged 50 and younger), less than the overall S&P 500 index (18%). Over half (52%) of new directors are retirees, greater than the overall proportion of 44%.

CEOs constitute 27% of new directors joining industrials boards, higher than the S&P 500 total of 23%. Twelve percent are active CEOs and 15% are retired.

DIVERSITY OF NEW INDEPENDENT DIRECTORS JOINING INDUSTRIALS SECTOR BOARDS



NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

| | Industrials sector | S&P 500 overall |
|---|--------------------|-----------------|
| CEOs | 27% | 23% |
| <i>Active</i> | 12% | 12% |
| <i>Retired</i> | 15% | 11% |
| Chairs/presidents/COOs | 2% | 3% |
| <i>Active</i> | 2% | 2% |
| <i>Retired</i> | 0% | 1% |
| Line/functional leaders | 17% | 20% |
| Division/subsidiary leaders | 15% | 13% |
| Finance/accounting executives | 21% | 22% |
| <i>Financial executives/CFOs/treasurers</i> | 16% | 12% |
| <i>Investment managers/investors</i> | 2% | 6% |
| <i>Bankers/investment bankers</i> | 1% | 4% |
| <i>Public accounting executives</i> | 1% | 1% |
| Academics/nonprofit executives | 5% | 4% |
| Consultants | 4% | 2% |
| Legal | 5% | 5% |
| Others | 5% | 7% |

Board leadership

Our research shows that 53% of industrials boards separate the chair and CEO roles — a smaller proportion than the overall S&P 500 average (57%). The majority (65%) of all industrials boards have a lead director, below the S&P 500 (68%) and the second lowest of any sector.

This sector is more likely than the S&P 500 overall to have an independent chair (37% compared with 36%). Of the independent chairs that were elected in 2022, 14% are women, equal to the S&P 500 index. Just 3% are from underrepresented racial or ethnic groups, compared with 9% of the S&P 500 overall.

Only 65% of industrials boards have a lead director, and 5% of these are women, the lowest of any primary sector. Just 13% of industrials boards appoint an executive chair, lower than the overall S&P 500 proportion of 15%.

Board organization and processes

Industrials boards and committees meet less frequently than other S&P 500 primary sectors, with 7.6 meetings per year compared with an overall S&P 500 average of 8.3.

They have an average of 4.1 committees, aligned with an average of 4.2 across all S&P 500 firms. After audit, compensation and nominating/governance committees, the most prevalent industrials board committees are finance (33% of industrials boards) and executive (24% of consumer boards).

Overall, 13.3% of industrial companies have classified boards, higher than 11.2% of S&P 500 companies. The majority (86%) have adopted mandatory retirement policies, above the S&P 500 average (70%).

BOARD ORGANIZATION AND PROCESS

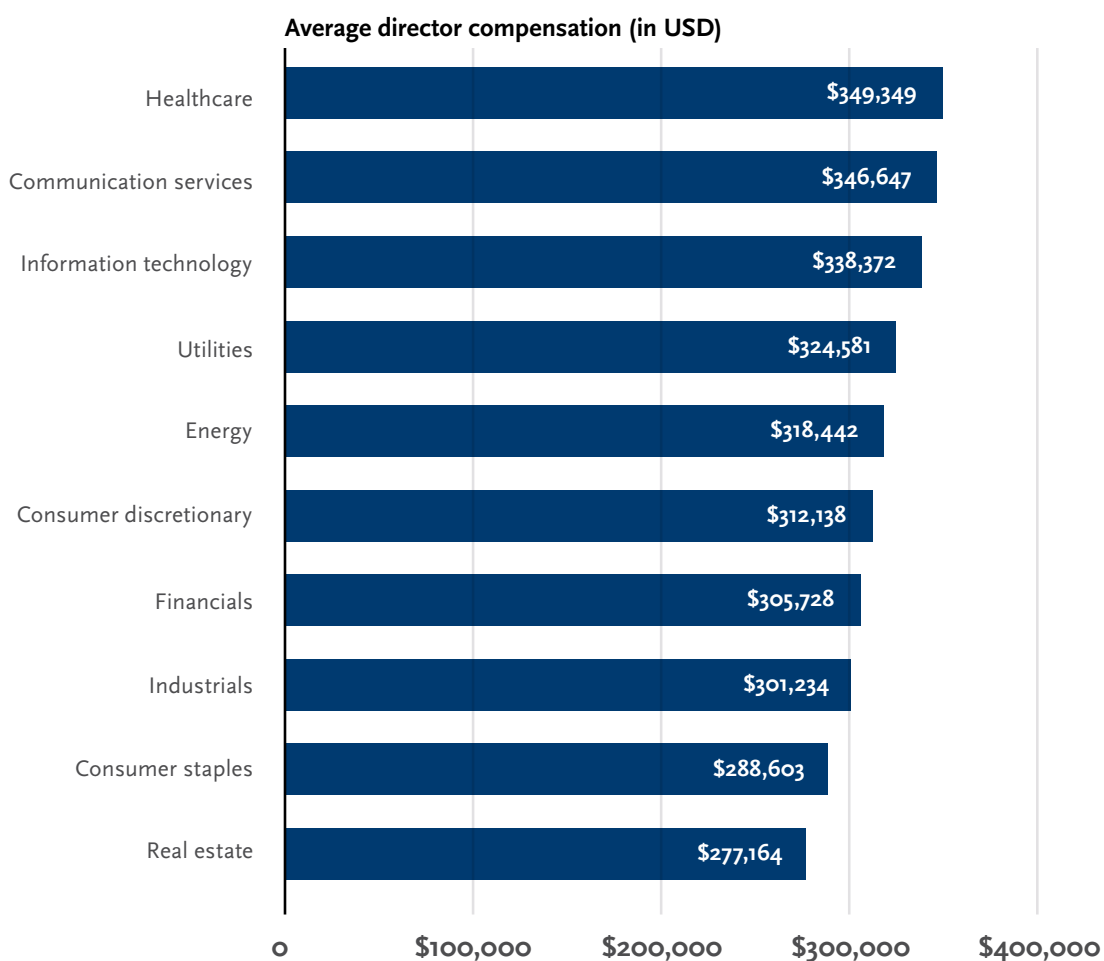
| | 2022 Industrials | 2022 S&P 500 |
|--|------------------|--------------|
| Classified board | 13.3% | 11.2% |
| Board meetings (avg #) | 7.6 | 8.3 |
| Board committees (avg #) | 4.1 | 4.2 |
| Audit committee | | |
| <i>Size (avg #)</i> | 4.6 | 4.4 |
| <i>Meetings (avg #)</i> | 7.7 | 8.2 |
| Compensation committee | | |
| <i>Size (avg #)</i> | 4.7 | 4.3 |
| <i>Meetings (avg #)</i> | 5.7 | 6 |
| Nominating/governance committee | | |
| <i>Size (avg #)</i> | 4.8 | 4.5 |
| <i>Meetings (avg #)</i> | 4.6 | 4.7 |
| Mandatory retirement | 86% | 70% |
| Retirement age (avg) | 73.9 | 73.8 |

Compensation

The average compensation of directors on industrials boards is \$301,234. This is lower than the \$316,091 average for S&P 500 boards and makes this the second-lowest sector overall.²

Compared with the S&P 500 average, directors on industrials boards receive a lower percentage of their compensation as stock grants (52% vs 56%) and stock option grants (4% vs 5%). A higher-than-average proportion is paid in cash (41% compared with 37%).

AVERAGE DIRECTOR COMPENSATION



² Excluding independent chair's fee.

List of industrials sector companies

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

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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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, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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